

**THE  
NORTH CAROLINA  
MEDICAL CARE COMMISSION**

**THE  
HEALTH CARE  
FACILITIES FINANCE ACT  
ANNUAL REPORT**

**JUNE 30, 2007**

**NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES**

*"It is hereby declared to be the policy of the State of North Carolina to promote the public health and welfare by providing means for financing, refinancing, acquiring, constructing, equipping and providing of health care facilities to serve the people of the State and to make accessible to them modern and efficient health care facilities"*

*G e n e r a l   S t a t u t e   1 3 1 A - 2*

# THE NORTH CAROLINA MEDICAL CARE COMMISSION

## **ROLE OF THE COMMISSION**

The North Carolina Medical Care Commission was created primarily as a result of the findings of the North Carolina Hospital and Medical Care Commission, a special commission appointed in 1944 to study the critical shortages in general hospital facilities and trained medical personnel in the State of North Carolina and to make recommendations for improvements in these areas. Among the recommendations made was that the legislature provide for a permanent State agency that would be responsible for the maintenance of high standards in North Carolina's hospitals, and the administration of a medical student loan fund, and a statewide hospital and medical care program.

The Commission was established in 1945 and empowered by its enabling legislation to, among other things:

1. make a survey of the hospital resources of the State and formulate a statewide program for construction and maintenance of local hospitals, health centers and related facilities, and receive and administer federal and State Funds appropriated for such purposes;
2. make loans to medical students; and
3. survey all factors concerning the location of the expanded university medical school. (The same act authorized the expansion of the University of North Carolina Medical School from a two-year to a four-year program).

In 1946, Congress passed the Hospital Survey and Construction Act (Hill-Burton) to provide funds for the construction and renovation of health care facilities, and the Commission was designated as the State agency empowered to administer the program within North Carolina. Under this program, which is also known as the Hill-Burton program, health care facility construction in North Carolina totaled more than \$500 million dollars, of which 40 percent was provided by federal sources, 5 percent by the State, and 55 percent by local sponsors. Of the more than 500 Hill-Burton projects approved by the Commission between 1946 and 1976, 241 were general hospital projects, including 80 completely new facilities.

Pursuant to the Executive Organization Act of 1973, the 17-member Commission was incorporated into the Department of Health and Human Services. Three members of the Commission are nominated by the North Carolina Medical Society, one by the North Carolina Pharmaceutical Association, one by the North Carolina State Nurses' Association, one by the North Carolina Hospital Association, and one by the Duke Endowment. Each nomination is subject to the Governor's approval. In addition, ten members, one of whom must be a dentist, are appointed by the Governor. Each member is appointed to a four-year term and memberships are staggered. The Commission is attached organizationally to the Department of Health and Human Services, Division of Facility Services, and is staffed by that Agency. Since its inception the Commission has been assigned new

responsibilities, while some of the original activities are either no longer needed or are carried out elsewhere. Today the Commission is responsible for the development of rules for:

1. the licensure and operations of hospitals, hospices, free-standing outpatient surgical facilities, nursing homes, home health agencies, home care agencies, nursing pools, and adult care facilities;
2. the regulation of ambulances and emergency medical services personnel;
3. the financing of construction and modernization projects for qualifying health care facilities.

In 1975, the North Carolina General Assembly enacted the Health Care Facilities Finance Act. The Act provides that the North Carolina Medical Care Commission may conduct financing activities to "acquire, construct, equip, or provide health care facilities for any public or nonprofit agency." The Act defines health care facilities as "any building, addition, or improvement including machinery, equipment, or furnishings that are suitable for health care." This definition includes but is not necessarily limited to: general acute care or specialty hospitals, nursing homes, continuing care facilities for the elderly, health care clinics, and outpatient facilities; laboratories and research facilities; laundries and other ancillary service facilities; training facilities for health care personnel, administration buildings, parking lots, garages, and other buildings normally under the jurisdiction of health care facilities.

The law provides that to qualify for assistance under the Act a project must meet several criteria:

1. the applicant must be a non-profit agency or public agency as defined in General Statute 131A-3;
2. the Commission must be satisfied that there is a need for the project in the area where it is to be located;
3. the project applicant must be financially responsible and capable of fulfilling its obligation for making debt service payments;
4. all public facilities such as utilities and other public services necessary for the health care facility must be made available; and
5. all costs associated with the project must be borne by the applicant and not the State.

While several states have health care finance authorities, which issue tax-exempt bonds, the organization and authority of the North Carolina Medical Care Commission make it unique. First, it is not a quasi-independent authority. It is an operational agency of the executive branch of North Carolina State Government, located in the Department of Health and Human Services. Second, it has an affiliation that covers all the major steps

involved in a construction project, either directly or through the Division of Facility Services which staffs the Commission. The Division of Facility Services develops the State Medical Facilities Plan, issues Certificates of Need, assists in project development, approves construction plans, monitors the construction process, and finally licenses the facility.



## **OUTSTANDING DEBT**

As of June 30, 2007, the Commission had issued revenue bonds or notes for 319 projects. The total authorized principal amount of all such financings was \$12,239,047,802 and the total outstanding principal amount of all such financings as of June 30, 2007 was \$6,478,760,663 excluding financings that have been refunded. Each issue is payable solely from revenues derived from each corporate entity financed, is separately secured, and is separate and independent from all other series of bonds as to source of payment and security.

## **MEMBERSHIP**

As of June 30, 2007 the Commission consisted of the following 17 members:

<b>Name</b>	<b>Term</b>	<b>Principal Occupation</b>	<b>Residence</b>
Lucy Hancock Bode Chairperson	1993-2005 *	Housewife/Health Consultant	Raleigh
Joseph D. Crocker Vice-Chairperson	1988-2008	Director of Operations Z. Smith Reynolds Foundation	Winston-Salem
Martha Barham, RN, MSN, CNAA	2005-2010	Registered Nurse	High Point
Andrea Bazan-Manson	2005-2008	President, Triangle Community Foundation	Raleigh
George A. Binder, MD	2004-2007	Physician	Fayetteville
Robert F. Burgin	2000-2008	Retired Hospital Administrator	Asheville
George H. V. Cecil	1987-2007	Chairman, Biltmore Dairy Farms, Inc.	Asheville
Gerald P. Cox	2002-2010	Health Care Executive	Rocky Mount
John A. Fagg, MD	2004-2007	Physician	Winston-Salem
Michael Hubbard	2005-2008	Attorney	Raleigh
Clifford B. Jones, Jr., DDS	1995-2007	Dentist	Elizabeth City
Albert F. Lockamy, RPh	1986-2010	Pharmacist	Raleigh
Mary L. Piepenbring	2005-2009	Director, Health Care Division The Duke Endowment	Charlotte
Carl K. Rust, II, MD	2002-2009	Physician	Wilmington
Robert E. Schaaf, MD	2005-2010	Physician	Raleigh

Henry A. Unger, MD	1998-2009	Urologist	Cary
Margaret Weller-Stargell	2006-2009	President/CEO Coastal Horizons Center	Wilmington

- \* Member whose term expired on June 30, 2005 will continue to serve until re-appointed or a successor is appointed and qualified.

## **STAFF OF THE COMMISSION**

The Division of Facility Services of the Department of Health and Human Services employs a staff of approximately 440 persons, (including registered architects, professional engineers and consultants in fields of emergency medicine, hospital administration, nursing service and administration, dietetics and nutrition and laboratory design and operation), the services of whom are available to and used by the Commission. The Division of Facility Services provides all necessary administrative and clerical assistance to the Commission.

## **ADMINISTRATIVE PERSONNEL**

Robert J. Fitzgerald, Secretary  
Christopher B. Taylor, CPA, Assistant Secretary  
William L. Warren, Chief of Construction Section, Division of Facility Services  
Kathy C. Larrison, Auditor  
Diana Barbry, Administrative Assistant  
Alice S. Creech, Bond Program Assistant



SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Presbyterian Hospital Charlotte, North Carolina	12/21/1977	\$20,000,000	\$0 (a)
Lexington Memorial Hospital Lexington, North Carolina	3/1/1978	6,510,000	0 (ss)
Rex Hospital Raleigh, North Carolina	6/1/1978	31,535,000	0 (y)
Duke University Hospital Durham, North Carolina	7/1/1978	79,000,000	0 (b)
Cape Fear Memorial Hospital Wilmington, North Carolina	7/1/1978	3,600,000	0
Memorial Mission Hospital of Western North Carolina Asheville, North Carolina	1/1/1979	35,100,000	0 (c)
Duke University Hospital Durham, North Carolina	1/1/1979	6,650,000	0 (b)
Annie Penn Memorial Hospital Reidsville, North Carolina	5/1/1979	7,650,000	0 (t)
Stanly Memorial Hospital Albemarle, North Carolina	5/1/1979	7,535,000	0 (p)
Moore Regional Healthcare Corporation Pinehurst, North Carolina	8/23/1979	10,710,000	0 (d)
Duke University Hospital Durham, North Carolina	6/25/1980	6,736,000	0
	7/1/1980	7,930,000	0 (b)
Carolinas Hospital and Health Services Charlotte, North Carolina	7/22/1980	200,000	0
Mercy Hospital Charlotte, North Carolina	1/1/1981	8,275,000	0 (e)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
The Greater Carolinas Chapter of the American National Red Cross Charlotte, North Carolina	3/1/1981	\$2,500,000	\$0
Memorial Hospital of Alamance County Burlington, North Carolina	4/1/1981	7,000,000	0 (u)
Carolinas Hospital and Health Services (Sun Health) Charlotte, North Carolina	4/8/1981	500,000	0
Scotland Memorial Hospital Laurinburg, North Carolina	6/1/1981	10,800,000	0 (m)
Rex Hospital Raleigh, North Carolina	12/15/1981	760,000	0
Morehead Memorial Hospital Eden, North Carolina	2/1/1982	6,000,000	0 (z)
Chatham Hospital Siler City, North Carolina	6/16/1982	355,000	0
Grace Hospital Morganton, North Carolina	8/1/1982	9,465,000	0 (f)
Carolinas Hospital and Health Services (Sun Health) Charlotte, North Carolina	8/4/1982	600,000	0
Southeastern General Hospital Lumberton, North Carolina	9/1/1982	14,100,000	0 (g)
Community General Hospital Thomasville, North Carolina	12/1/1982	3,100,000	0 (q)
Grace Hospital Morganton, North Carolina	7/1/1983	10,855,000	0 (j)
High Point Regional Hospital High Point, North Carolina	9/1/1983	29,820,000	0 (k)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Grace Hospital Morganton, North Carolina	11/1/1983	\$8,870,000	\$0 (j)
Mercy Hospital Charlotte, North Carolina	11/10/1983	2,205,000	0
Rowan Memorial Hospital Salisbury, North Carolina	3/16/1984	1,833,000	0
High Point Regional Hospital High Point, North Carolina	4/16/1984	915,000	0
The Episcopal Home for the Ageing in the Diocese of North Carolina (Penick Village) Southern Pines, North Carolina	5/1/1984	6,200,000	0 (h)
Memorial Mission Hospital of Western North Carolina Asheville, North Carolina	5/2/1984	1,475,000	0
St. Joseph's Hospital Asheville, North Carolina	6/15/1984	30,330,000	0 (n)
The Moses H. Cone Memorial Hospital Greensboro, North Carolina	8/1/1984	29,330,000	0 (aa)
Alamance County Hospital Burlington, North Carolina	2/22/1985	2,504,000	0 (u)
Wesley Long Community Hospital Greensboro, North Carolina	4/1/1985	10,670,000	0 (ee)
The Greater Carolinas Chapter of the American National Red Cross Charlotte, North Carolina	4/24/1985	845,000	0
Carolina Medicorp, Inc. Winston-Salem, North Carolina	5/1/1985	36,550,000	0 (l)
Presbyterian Hospital Charlotte, North Carolina	5/24/1985	8,700,000	0 (i)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Southeastern General Hospital Lumberton, North Carolina	7/1/1985	\$16,345,000	\$0 (v)
Duke University Hospital Durham, North Carolina	7/1/1985	48,245,000	0 (mm)
North Carolina Baptist Hospitals, Inc. Winston Salem, North Carolina	7/15/1985	86,000,000	0 (w)
Bowman Gray School of Medicine of Wake Forest University Winston Salem, North Carolina	7/15/1985	42,000,000	0
Mercy Hospital Charlotte, North Carolina	8/1/1985	29,980,000	0 (bb)
The Episcopal Home for the Ageing in the Diocese of North Carolina (Penick Village) Southern Pines, North Carolina	8/1/1985	8,180,000	0 (ff)
The United Church Retirement Home, Inc. Thomasville, North Carolina	8/1/1985	6,400,000	0 (nn)
Duke University Hospital Durham, North Carolina	10/2/1985	43,500,000	0
Presbyterian Hospital Charlotte, North Carolina	12/1/1985	24,000,000	0 (r)
Southminster, Inc. Charlotte, North Carolina	12/1/1985	23,825,000	0 (oo)
Pooled Equipment Financing Project, Series 1985 Raleigh, North Carolina	12/1/1985	100,000,000	52,400,000
The Moses H. Cone Memorial Hospital Greensboro, North Carolina	12/1/1985	15,000,000	0 (aa)
Moore Memorial Hospital Pinehurst, North Carolina	12/1/1985	10,980,000	0

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Memorial Mission Hospital of Western North Carolina Asheville, North Carolina	12/1/1985	\$25,855,000	\$0
Duke University Hospital Durham, North Carolina	12/18/1985	34,415,000	0
The McDowell Hospital Marion, North Carolina	6/1/1986	8,935,000	0 (x)
Pooled Financing Project Series 1986 Raleigh, North Carolina	7/1/1986	100,000,000	0
Cornelia Nixon Davis Nursing Home Wilmington, North Carolina	10/16/1986	980,980	0
Grace Hospital Morganton, North Carolina	2/1/1987	23,450,000	0 (tt)
High Point Regional Hospital Greensboro, North Carolina	2/1/1987	34,280,000	0 (xx)
Blumenthal Jewish Home Clemmons, North Carolina	3/25/1987	6,600,000	0 (o)
Carolina Medicorp, Inc. Winston-Salem, North Carolina	8/1/1987	53,142,316	0 (cc)
Wesley Long Community Hospital Greensboro, North Carolina	8/15/1987	25,715,000	0 (ee)
The Methodist Home, Inc. Charlotte, North Carolina	2/1/1988	13,500,000	0
The Greater Carolinas Chapter of the American National Red Cross Charlotte, North Carolina	6/1/1988	2,750,000	0
Memorial Mission Hospital of Western North Carolina Asheville, North Carolina	6/15/1988	21,337,717	0 (gg)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Scotland Memorial Hospital Laurinburg, North Carolina	6/1/1988	\$14,087,969	\$0 (hh)
Davidson Retirement Community, Inc. Davidson, North Carolina	9/15/1988	24,210,000	0 (ii)
St. Joseph's Hospital Asheville, North Carolina	11/1/1988	34,553,639	0 (jj)
Blumenthal Jewish Home Clemmons, North Carolina	11/1/1988	6,350,000	0
Fletcher Hospital, Incorporated dba Park Ridge Hospital Fletcher, North Carolina	12/1/1988	20,300,000	0 (eeee)
Gaston Health Care Support, Inc. Gastonia, North Carolina	5/1/1989	42,472,967	0 (pp)
Roanoke-Chowan Hospital Ahoskie, North Carolina	7/1/1989	12,165,000	0 (ddd)
Transylvania Community Hospital Brevard, North Carolina	9/1/1989	4,060,000	0 (yy)
Stanly Memorial Hospital Albemarle, North Carolina	11/1/1989	17,285,000	0 (qq)
The Forest at Duke, Inc. Durham, North Carolina	4/16/1990	3,150,000	0 (s)
Angel Community Hospital Franklin, North Carolina	5/1/1990	7,050,000	0 (zz)
Presbyterian Hospital Charlotte, North Carolina	10/1/1991	101,108,090	0 (dd)
Community General Hospital Thomasville, North Carolina	10/1/1991	6,860,000	0 (aaa)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

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The Greater Carolinas Chapter of the American National Red Cross Charlotte, North Carolina		11/1/1990	\$5,150,000	\$0
The Forest at Duke, Inc. Durham, North Carolina	Series A Series B	11/1/1990 11/15/1990	53,630,000 965,000	0 (kk) 0
Wilson Memorial Hospital Wilson, North Carolina		12/1/1990	53,658,422	0 (uu)
St. Joseph of the Pines, Inc. Southern Pines, North Carolina		1/1/1991	3,350,000	0 (eee)
Memorial Mission Hospital, Inc. Asheville, North Carolina		2/5/1991	2,055,870	0
Pooled Financing Project Series 1991 A Raleigh, North Carolina		3/1/1991	54,300,000	0
Carolina Medicorp, Inc. Winston Salem, North Carolina		4/1/1991	50,152,471	0 (aaa)
Chapel Hill Residential Retirement Center dba Carol Woods Chapel Hill, North Carolina		4/1/1991	25,900,000	0 (nnn)
Wayne Memorial Hospital Goldsboro, North Carolina		5/1/1991	41,016,323	0 (fff)
Valdese General Hospital Valdese, North Carolina		5/15/1991	11,390,000	0 (ggg)
Pooled Financing Project Series 1991 B Raleigh, North Carolina		6/1/1991	22,500,000	2,900,000
Duke University Hospital Durham, North Carolina		6/1/1991	14,872,987	0 (mm)
C. J. Harris Community Hospital Sylva, North Carolina		7/26/1991	1,384,246	0 (ll)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Glenaire, Inc. Cary, North Carolina	10/1/1991	\$27,565,000	\$0 (rr)
Annie Penn Memorial Hospital Reidsville, North Carolina	11/1/1991	13,140,000	0 (bbb)
Well Spring Retirement Community, Inc. Greensboro, North Carolina	11/1/1991	44,495,000	0 (ww)
Southeastern General Hospital Lumberton, North Carolina	11/1/1991	27,835,626	0
The McDowell Hospital Marion, North Carolina	11/1/1991	8,780,000	0 (lll)
North Carolina Baptist Hospitals, Inc. Winston Salem, North Carolina	1/1/1992	87,456,982	0 (fff)
Friends Home, Inc. Greensboro, North Carolina	2/1/1992	34,405,000	0 (vv)
Alamance Health Service, Inc. Burlington, North Carolina	2/15/1992	18,315,000	0 (hhh)
Halifax Memorial Hospital Roanoke Rapids, North Carolina	6/15/1992	21,995,000	0 (iii)
Memorial Mission Hospital Asheville, North Carolina	7/1/1992	40,794,261	0 (jjj)
Carolina Medicorp, Inc. Winston-Salem, North Carolina	8/1/1992	57,100,495	0 (vvv)
Presbyterian Health Services Corp. Charlotte, North Carolina	10/1/1992	70,385,000	0 (aaa)
North Carolina Baptist Hospitals Winston Salem, North Carolina	10/29/1992	55,000,000	55,000,000



SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

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Mercy Hospital Charlotte, North Carolina		11/1/1992	\$34,335,000	\$0
The Moses H. Cone Memorial Hospital Greensboro, North Carolina		1/28/1993	61,600,000	61,600,000
Rex Hospital Raleigh, North Carolina		1/1/1993	68,060,075	0 (ccc)
Alamance Health Services, Inc. Burlington, North Carolina		3/1/1993	53,000,000	40,765,000
Morehead Memorial Hospital Eden, North Carolina		5/1/1993	11,010,000	0 (gggg)
Presbyterian Health Services Corp. Charlotte, North Carolina		6/1/1993	114,595,000	0 (vvv)
Duke University Hospital Durham, North Carolina		8/12/1993	28,650,000	28,650,000
Memorial Mission Hospital Asheville, North Carolina		7/15/1993	24,245,000	0 (www)
The Episcopal Home for the Ageing in the Diocese of North Carolina (Penick Village) Southern Pines, North Carolina	Series A Series B	10/1/1993 10/1/1993	8,000,000 290,000	0 (xxx) 0
Moore Regional Hospital Pinehurst, North Carolina		10/1/1993	50,150,373	0 (ppp)
Wesley Long Community Hospital Greensboro, North Carolina		11/15/1993	39,065,000	0 (hhhh)
Scotland Memorial Hospital Laurinburg, North Carolina		12/1/1993	20,905,000	7,815,000
St. Joseph's Hospital Asheville, North Carolina		1/1/1994	35,970,000	0 (jjj)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Davidson Retirement Community, Inc. Davidson, North Carolina	1/1/1994	\$17,090,000	\$100,000 (dddd)
The Forest at Duke, Inc. Durham, North Carolina	3/1/1994	35,685,000	300,000 (yyy)
C. J. Harris Community Hospital Sylva, North Carolina	3/15/1994	15,000,000	0 (qqq)
Pooled Financing Project Series 1994 Raleigh, North Carolina	5/12/1994	16,100,000	0
Southminster, Inc. Charlotte, North Carolina	7/1/1994	19,500,000	0 (rrr)
United Church Retirement Home Newton, North Carolina	9/15/1994	19,065,000	0 (kkk)
The Moses H. Cone Memorial Hospital Greensboro, North Carolina	6/15/1995	15,000,000	0
Gaston Memorial Hospital Gastonia, North Carolina	10/15/1995	62,580,000	41,210,000
Pavillon International (Michigan nonprofit corporation)	12/14/1995	5,100,000	0
Glenaire, Inc. Cary, North Carolina	2/15/1996	22,120,000	720,000 (iii)
Pooled Financing Project Series 1996 Raleigh, North Carolina	5/8/1996	45,100,000	0
Stanly Memorial Hospital Albemarle, North Carolina	5/1/1996	28,990,000	16,425,000
North Carolina Baptist Hospitals, Inc. Winston-Salem, North Carolina	6/27/1996	50,000,000	19,500,000 (mmm)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

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Grace Hospital Morganton, North Carolina	8/15/1996	\$26,240,000	\$17,415,000
Saint Joseph of the Pines Pinehurst, North Carolina	9/24/1996	10,000,000	0 (eee)
Duke University Durham, North Carolina	10/1/1996	121,379,383	10,114,383 (jjjj)
Lincoln Health System Lincolnton, North Carolina	11/20/1996	12,800,000	9,300,000
Southminster, Inc. Charlotte, North Carolina	11/1/1996	5,055,000	5,055,000
Carolina Medicorp, Inc. Winston-Salem, North Carolina	11/1/1996	104,428,199	82,923,199
Friends Home Greensboro, North Carolina	12/1/1996	25,715,000	0 (zzz)
Lincoln Health System Lincolnton, North Carolina	12/12/1996	2,500,000	0
Cypress Glen Durham, North Carolina	12/11/1996	20,130,000	0 (aaaa)
ACTS West Point, Pennsylvania	12/19/1996	37,655,000	0 (sss)
Wilson Memorial Hospital Wilson, North Carolina	2/1/1997	50,953,361	32,193,361
Well Spring Retirement Community, Inc. Greensboro, North Carolina	2/15/1997	40,060,000	4,630,000 (bbbb)
Wake County Hospital System, Inc. Raleigh, North Carolina	3/1/1997	108,550,000	88,330,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Cabarrus Memorial Hospital Concord, North Carolina	3/13/1997	\$20,175,000	\$0 (ttt)
Lexington Memorial Hospital Lexington, North Carolina	4/9/1997	16,500,000	4,500,000
Spruce Pine Community Hospital (Blue Ridge Hospital System Inc.) Spruce Pine, North Carolina	7/17/1997	2,935,000	2,335,000
Deerfield Episcopal Retirement Community Asheville, North Carolina	11/1/1997	73,780,000	50,000 (cccc)
Transylvania Community Hospital Brevard, North Carolina	11/1/1997	4,855,000	3,500,000
High Point Regional Health System High Point, North Carolina	11/1/1997	29,880,000	12,530,000
Givens Estates, Inc. Asheville, North Carolina	11/18/1997	12,000,000	0 (dddd)
Angel Medical Center Franklin, North Carolina	11/21/1997	13,475,000	0 (uuuu)
Glenaire, Inc. Cary, North Carolina	12/1/1997	14,395,000	12,720,000
Pungo District Hospital Belhaven, North Carolina	12/23/1997	4,000,000	2,400,000
DePaul Community Facilities Rochester, New York	1/28/1998	4,645,000	3,810,000
First Health of the Carolinas Pinehurst, North Carolina	2/1/1998	88,335,000	74,345,000
Annie Penn Memorial Hospital Reidsville, North Carolina	3/15/1998	13,460,000	0

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Rex Healthcare Raleigh, North Carolina	3/15/1998	\$ 124,215,000	\$92,210,000
Mission-Thoms-St. Joseph's Health Services Asheville, North Carolina	3/17/1998	4,670,000	0
Novant Health Winston-Salem, North Carolina	4/1/1998	121,425,000	96,090,000
Lutheran Services for the Aging Salisbury, North Carolina	4/2/1998	23,625,000	21,970,000
Stanley Total Living Center Stanley, North Carolina	4/23/1998	4,210,000	2,610,000
Cornelia Nixon Davis Health Care Center Wilmington, North Carolina	6/17/1998	7,500,000	6,285,000
Carolina Meadows Chapel Hill, North Carolina	6/23/1998	5,000,000	0 (kkkk)
Catholic Health East (St. Joseph of the Pines) Pinehurst, North Carolina	6/15/1998	41,945,000	36,335,000
Catholic Health East (St. Joseph of the Pines) Pinehurst, North Carolina	7/15/1998	30,000,000	30,000,000
United Church Retirement Homes Newton, North Carolina	7/1/1998	19,705,000	0 (llll)
Alamance Regional Medical Center Burlington, North Carolina	7/1/1998	16,575,000	12,345,000
The Presbyterian Home at Charlotte (Sharon Towers) Charlotte, North Carolina	8/25/1998	8,500,000	0 (ooo)
Gaston Health Care Gastonia, North Carolina	8/1/1998	82,935,000	49,710,000 (uuu)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Duke University Health System Durham, North Carolina	8/1/1998	\$83,235,000	\$6,885,000 (jjjj)
Valdese General Hospital Valdese, North Carolina	9/3/1998	11,030,000	0 (mmmm)
Pitt County Memorial Hospital Greenville, North Carolina	9/1/1998	207,170,000	23,165,000 (pppp)
Halifax Regional Medical Center Roanoke Rapids, North Carolina	9/1/1998	33,670,000	21,315,000
Wayne Memorial Hospital Goldsboro, North Carolina	9/15/1998	41,310,000	31,380,000
Duke University Health System Durham, North Carolina	10/1/1998	199,300,000	16,070,000 (jjjj)
Carolina Village Hendersonville, North Carolina	10/21/1998	7,700,000	6,000,000
Novant Health Winston-Salem, North Carolina	10/1/1998	57,925,000	54,695,000
Pitt County Memorial Hospital Greenville, North Carolina	10/1/1998	84,000,000	9,930,000
J. Arthur Doshier Memorial Hospital Southport, North Carolina	11/12/1998	5,000,000	3,645,000
Moses Cone Health System Greensboro, North Carolina	11/12/1998	15,000,000	0
Cabarrus Memorial Hospital (NorthEast Medical Center) Concord, North Carolina	11/1/1998	15,405,000	8,400,000
Mission-St. Joseph's Health System Asheville, North Carolina	11/1/1998	114,650,000	38,130,000 (vvvv)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Lutheran Retirement Ministries of Alamance County (Twin Lakes) Burlington, North Carolina	1/14/1999	\$20,465,000	\$14,210,000
The Cross Road Rest and Retirement Center Asheboro, North Carolina	3/11/1999	5,700,000	0 (www)
Randolph Hospital Asheboro, North Carolina	3/18/1999	25,970,000	0 (xxxx)
WakeMed Raleigh, North Carolina	4/22/1999	36,265,000	0
High Point Regional Health System High Point, North Carolina	4/1/1999	61,070,000	46,825,000
Transylvania Community Hospital Brevard, North Carolina	8/1/1999	1,000,000	0
North Carolina Cancer Institute Lumberton, North Carolina	8/1/1999	1,500,000	1,111,823
Scotland Memorial Hospital Laurinburg, North Carolina	7/15/1999	13,500,000	9,090,000
Moravian Home, Incorporated (Salem towne) Winston-Salem, North Carolina	10/1/1999	15,595,000	0 (yyyy)
Stanly Memorial Hospital Albemarle, North Carolina	10/15/1999	15,000,000	13,470,000
Southeastern Regional Medical Center Lumberton, North Carolina	10/15/1999	25,270,000	17,190,000
DePaul Community Facilities Rochester, New York	12/7/1999	14,315,000	13,555,000
The McDowell Hospital Marion, North Carolina	12/16/1999	6,765,000	4,425,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
North Carolina Housing Foundation Winston-Salem, North Carolina		2/1/2000	\$11,970,000	\$11,065,000
Grace Hospital, Inc. Morganton, North Carolina		3/16/2000	20,700,000	0 (mmmm)
North Carolina Baptist Hospitals, Inc. Winston-Salem, North Carolina		6/15/2000	150,800,000	119,200,000
United Methodist Retirement Homes Croasdaile Village Durham, North Carolina		9/28/2000	46,465,000	0 (qqqq)
United Methodist Retirement Homes Croasdaile Village Durham, North Carolina		9/28/2000	15,795,000	0 (nnnn)
NorthEast Medical Center Concord, North Carolina		10/27/2000	32,290,000	24,210,000
Mission-St. Joseph's Asheville, North Carolina		12/12/2000	4,775,000	0
Presbyterian Homes Jamestown, North Carolina		2/21/2001	91,885,000	0 (zzzz)
Providence Place High Point, North Carolina	Series A	4/29/2001	11,235,000	11,050,000
	Series B	4/29/2001	175,000	0
WakeMed Raleigh, North Carolina		4/5/2001	150,000,000	150,000,000
Moravian Home (Salemtowne) Winston-Salem, North Carolina		4/26/2001	24,215,000	4,200,000 (yyyy)
Cleveland Regional Medical Center Shelby, North Carolina		5/10/2001	30,000,000	0 (oooo)
Chapel Hill Residential Retirement Center dba Carol Woods Retirement Community Chapel Hill, North Carolina		7/2/2001	33,030,000	29,510,000



SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Moses Cone Health System Greensboro, North Carolina	Series A Series B	7/11/2001 7/11/2001	\$42,600,000 42,600,000	\$42,600,000 42,600,000
Aldersgate United Methodist Retirement Community, Inc. Charlotte, North Carolina		7/12/2001	40,835,000	36,580,000
Rutherford Hospital Rutherfordton, North Carolina		8/1/2001	16,800,000	11,100,000
Mission-St. Joseph's Health System Asheville, North Carolina		9/1/2001	109,720,000	0 (vvvvv)
Duke University Health System, Inc. Durham, North Carolina		9/21/2001	42,000,000	2,026,247
Presbyterian Home at Charlotte (Sharon Towers) Charlotte, North Carolina		9/25/2001	23,500,000	13,440,000
Baptist Retirement Homes of North Carolina, Inc. (Taylor Glen) Winston-Salem, North Carolina	Series A Series B Series C	10/11/2001 10/17/2001 10/17/2001	40,285,000 8,100,000 5,900,000	38,975,000 5,720,000 0
Alamance Extended Care, Inc. (Village at Brookwood) Burlington, North Carolina	Series A Series B Series C	11/1/2001 11/28/2001 11/28/2001	32,560,000 8,500,000 17,000,000	17,075,000 (aaaaa) 0 (aaaaa) 0
Aston Park Health Care Center, Inc. Asheville, North Carolina		2/14/2002	4,100,000	3,300,000
FirstHealth of the Carolinas Pinehurst, North Carolina		2/27/2002 2/27/2002	29,400,000 50,000,000	0 50,000,000
Arbor Acres United Methodist Retirement Community, Inc. Winston-Salem, North Carolina		3/1/2002	23,105,000	1,805,000 (bbbbbb)
The Forest at Duke, Inc. Durham, North Carolina		3/15/2002	23,495,000	22,760,000
Senior Care Group of McDowell, LLC Nebo, North Carolina	Series A Series B	6/1/2002 6/1/2002	7,210,000 800,000	6,840,000 800,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Union Regional Medical Center	Series A	7/11/2002	\$25,000,000	\$21,630,000
Monroe, North Carolina	Series B	7/11/2002	15,000,000	15,000,000
Southeastern Regional Medical Center		8/14/2002	48,980,000	46,070,000
Lumberton, North Carolina				
Wake Forest University Health Sciences		8/22/2002	198,800,000	0 (rrrr)
Winston-Salem, North Carolina				
NorthEast Medical Center	Series A	9/10/2002	30,000,000	28,590,000
Concord, North Carolina	Series B	9/10/2002	30,000,000	30,000,000
Southminster, Inc.		10/1/2002	13,320,000	9,770,000
Charlotte, North Carolina				
North Carolina Baptist Hospitals		10/31/2002	162,400,000	0 (ssss)
Winston-Salem, North Carolina				
WestCare Health System	Series A	11/14/2002	26,860,000	23,595,000
Sylva, North Carolina	Series B	11/14/2002	880,000	790,000
ACTS Retirement-Life		12/18/2002	27,255,000	9,770,000
Communities, Inc.				
West Point, Pennsylvania				
CaroMont Health		1/23/2003	120,000,000	0 (tttt)
Gastonia, North Carolina				
Cornelia Nixon Davis Nursing Home		1/23/2003	7,000,000	6,360,000
Wilmington, North Carolina				
FirstHealth of the Carolinas		4/10/2003	45,750,000	36,550,000
Pinehurst, North Carolina				
Hugh Chatham Memorial Hospital		4/23/2003	40,000,000	37,865,000
Elkin, North Carolina				
Memorial Mission Hospital, Inc.		5/29/2003	25,000,000	8,704,093
Asheville, North Carolina				

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Novant Health Winston-Salem, North Carolina		7/1/2003	\$164,325,000	\$143,590,000
Givens Estates, Inc. Asheville, North Carolina	Series A	7/15/2003	63,385,000	8,775,000 (cccc)
	Series B	7/15/2003	7,000,000	0 (cccc)
	Series C	8/14/2003	39,000,000	0 (cccc)
Maria Parham Medical Center Henderson, North Carolina		8/1/2003	50,835,000	49,840,000
Betsy Johnson Regional Hospital Dunn, North Carolina		9/24/2003	24,770,000	24,505,000
Mission St. Joseph's Health System Asheville, North Carolina		10/1/2003	18,530,000	15,650,000
Friends Homes, Inc. Greensboro, North Carolina		10/16/2003	45,165,000	42,595,000
The Forest at Duke, Inc. Durham, North Carolina	Series A	11/1/2003	25,990,000	22,320,000
	Series B	11/1/2003	5,210,000	5,210,000
Northern Hospital District of Surry County Mount Airy, North Carolina		12/1/2003	2,422,050	1,122,868
Well Spring Retirement Community Greensboro, North Carolina	Series A	12/1/2003	15,450,000	13,200,000
	Series B	12/1/2003	2,000,000	2,000,000
	Series C	12/23/2003	10,000,000	8,615,000
Lutheran Retirement Ministries Elon, North Carolina		12/11/2003	13,030,000	12,150,000
The Episcopal Home for the Ageing In the Diocese of North Carolina (Penick Village) Southern Pines, North Carolina	Series A	2/1/2004	3,185,000	2,595,000
	Series B	2/1/2004	2,470,000	2,470,000
Deerfield Episcopal Retirement Community Asheville, North Carolina	Series A	3/1/2004	37,505,000	33,480,000
	Series B	3/1/2004	5,000,000	5,000,000
	Series C	3/1/2004	10,000,000	10,000,000
Cypress Glen Retirement Community Greenville, North Carolina	Series A	3/15/2004	15,410,000	13,625,000
	Series B	3/15/2004	5,000,000	5,000,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Cleveland County Healthcare System Shelby, North Carolina	Series A	6/30/2004	\$38,600,000	\$38,600,000
Cleveland County Healthcare System Shelby, North Carolina		7/15/2004	29,475,000	29,475,000
Stanly Memorial Hospital Albemarle, North Carolina		7/22/2004	5,000,000	1,325,421
NorthEast Medical Center Concord, North Carolina		8/5/2004	30,000,000	28,930,000
Rowan Regional Medical Center Salisbury, North Carolina		8/18/2004	87,125,000	84,820,000
Cypress Glen Retirement Community Greenville, North Carolina	Series C	8/19/2004	12,960,000	11,175,000
	Series D	8/19/2004	2,500,000	2,500,000
Moses Cone Health System Greensboro, North Carolina	Series A	10/19/2004	47,500,000	47,500,000
	Series B	10/19/2004	47,500,000	47,500,000
The ARC of North Carolina Raleigh, North Carolina	Series A	10/21/2004	34,650,000	34,650,000
	Series B	10/21/2004	1,270,000	370,000
Carolina Meadows Chapel Hill, North Carolina		11/7/2004	20,110,000	19,680,000
Novant Health Winston-Salem, North Carolina		11/8/2004	135,000,000	135,000,000
Fletcher Hospital dba Park Ridge Hospital Fletcher, North Carolina		1/13/2005	14,000,000	12,700,000
United Methodist Retirement Homes Durham, North Carolina	Series A	2/16/2005	20,790,000	20,790,000
	Series B	2/16/2005	24,250,000	24,250,000
United Church Homes and Services Newton, North Carolina	Series A	4/21/2005	13,755,000	13,005,000
	Series B	4/21/2005	5,000,000	5,000,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Presbyterian Homes Jamestown, North Carolina	Series A	5/4/2005	\$13,465,000	\$13,365,000
	Series B	5/4/2005	4,090,000	4,090,000
Duke University Health System Durham, North Carolina	Series A	5/19/2005	107,380,000	107,380,000
	Series B	5/19/2005	107,380,000	107,380,000
	Series C	5/19/2005	107,380,000	107,380,000
Blue Ridge Health System Morganton, North Carolina	Series A	6/19/2005	35,000,000	35,000,000
	Series B	6/19/2005	43,075,000	40,423,414
Watauga Medical Center Boone, North Carolina		6/14/2005	31,350,000	30,885,000
Morehead Memorial Hospital Eden, North Carolina		6/15/2005	47,675,000	47,675,000
Alamance Regional Medical Center Burlington, NC		8/1/2005	10,000,000	1,886,796
Duke University Health System Durham, North Carolina		8/12/2005	40,000,000	18,904,789
United Methodist Retirement Homes Durham, North Carolina	Series C	9/8/2005	47,835,000	47,690,000
Mission Hospitals, Inc. Asheville, North Carolina		9/13/2005	25,000,000	4,813,459
Southeastern Regional Medical Center Lumberton, North Carolina		9/15/2005	20,000,000	20,000,000
Lenoir Memorial Hospital Kinston, North Carolina		9/22/2005	22,000,000	20,920,000
Novant Health Winston-Salem, NC		12/12/2005	50,000,000	15,975,551
Rex Hospital Raleigh, North Carolina		12/12/2005	30,000,000	21,522,388

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Transylvania Community Hospital Brevard, North Carolina		12/15/2005	\$1,700,000	\$1,222,871
Person Memorial Hospital Roxboro, NC		12/15/2005	18,000,000	17,690,000
Pennybyrn at Maryfield High Point, NC		12/29/2005	94,315,000	94,315,000
University Health Systems of Eastern Carolina Greenville, NC	Series A	2/16/2006	227,970,000	226,920,000
	Series B	2/16/2006		
	Series C	2/16/2006	122,750,000	122,810,000
	Series D	2/16/2006	123,275,000	122,810,000
Wake Forest University Health Sciences Winston-Salem, NC		4/6/2006	196,050,000	193,150,000
North Carolina Baptist Hospital Winston-Salem, NC		5/3/2006	162,400,000	159,800,000
Cumberland County Hospital System, Inc. DBA Cape Fear Valley Health Fayetteville, North Carolina	Series A	5/4/2006	37,020,000	32,960,000
	Series B	5/4/2006	262,650,000	262,650,000
Caromont Health Gastonia, NC		5/9/2006	119,800,000	119,700,000
NorthEast Medical Concord, NC		6/27/2006	50,000,000	50,000,000
The Pines at Davidson Davidson, North Carolina		7/7/2006	30,980,000	30,640,000
Presbyterian Homes, Inc. Jamestown, North Carolina	Series 2006	7/13/2006	79,235,000	79,235,000
	Series B	8/9/2007	33,290,000	33,290,000
Wayne Memorial Hospital Goldsboro, North Carolina		9/21/2006	35,000,000	35,000,000
The Cross Road Rest and Retirement Center, Inc. Asheboro, North Carolina		10/19/2006	8,300,000	8,300,000

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 30-Jun-07
Moravian Homes, Inc. DBA Salemtowne Winston-Salem, North Carolina		11/14/2006	\$35,225,000	\$35,225,000
Duke University Health System Durham, North Carolina	Series A	11/15/2006	65,355,000	65,355,000
	Series B	11/15/2006	65,360,000	65,360,000
	Series C	11/15/2006	20,000,000	20,000,000
Novant Health Winston-Salem, North Carolina		12/14/2006	250,000,000	250,000,000
Mission Health Asheville, North Carolina		1/31/2007	260,430,000	260,430,000
Chatham Hospital Siler City, North Carolina		2/8/2007	30,540,000	30,540,000
Iredell Memorial Hospital Statesville, North Carolina		3/15/2007	39,465,000	39,465,000
Arbor Acres United Methodist Retirement Community Winston-Salem, North Carolina		3/21/2007	17,765,000	17,765,000
Angel Medical Center Franklin, North Carolina		3/22/2007	18,500,000	18,500,000
Givens Estates Asheville, North Carolina		4/4/2007	66,900,000	66,900,000
United Church Homes and Services Newton, North Carolina		4/18/2007	15,780,000	15,780,000
Alamance Extended Care, Inc. (The Village at Brookwood) Burlington, North Carolina		5/18/2007	29,280,000	29,280,000
Randolph Hospital Asheboro, North Carolina		6/14/2007	49,230,000	49,230,000
Totals			<u>\$12,239,047,802</u>	<u>\$6,478,760,663</u>

- (a) Defeased by 5/24/85 Presbyterian Hospital Bond Issue
- (b) Defeased by 7/1/85 Duke University Hospital Refunding Bond Issue
- (c) Defeased by 12/1/85 Memorial Mission Bond Issue
- (d) Defeased by 12/1/85 Moore Memorial Bond Issue
- (e) Defeased by 8/1/85 Mercy Hospital Bond Issue
- (f) Defeased by 7/1/83 Grace Hospital Bond Issue
- (g) Defeased by 7/1/85 Southeastern General Hospital Bond Issue
- (h) Defeased by 8/1/85 The Episcopal Home for the Aging in the Diocese of North Carolina Bond Issue
- (i) Defeased by 12/1/85 Presbyterian Hospital Bond Issue
- (j) Defeased by 2/1/87 Grace Hospital Bond Issue
- (k) Defeased by 2/1/87 High Point Regional Hospital Bond Issue
- (l) Defeased by 8/1/87 Carolina Medicorp Bond Issue
- (m) Defeased by 6/1/88 Scotland Memorial Hospital Bond Issue
- (n) Defeased by 11/1/88 St. Joseph's Hospital Bond Issue
- (o) Defeased by 11/1/88 Blumenthal Jewish Home Bond Issue
- (p) Defeased by 11/1/89 Stanly Memorial Hospital Bond Issue
- (q) Defeased by 10/1/90 Community General Hospital Bond Issue
- (r) Defeased by 10/1/90 Presbyterian Hospital Bond Issue
- (s) Defeased by 11/1/90 Forest at Duke Bond Issue
- (t) Defeased by 11/1/91 Annie Penn Memorial Hospital Bond Issue
- (u) Defeased by 2/15/92 Alamance Health Services Bond Issue
- (v) Defeased by 11/1/91 Southeastern General Hospital Bond Issue
- (w) Defeased by 1/1/92 North Carolina Baptist Hospitals Bond Issue
- (x) Defeased by 11/1/91 McDowell Hospital Bond Issue
- (y) Defeased by 1/1/93 Rex Hospital Bond Issue
- (z) Defeased by 5/1/93 Morehead Memorial Hospital Bond Issue
- (aa) Defeased by 1/29/93 The Moses H. Cone Memorial Hospital Bond Issue
- (bb) Defeased by 11/1/92 Mercy Hospital Bond Issue
- (cc) Defeased by 8/1/92 Carolina Medicorp, Inc. Bond Issue
- (dd) Defeased by 6/1/93 Presbyterian Health Services Corp. Bond Issue
- (ee) Defeased by 11/15/93 Wesley Long Community Hospital, Series 1993 Bond Issue
- (ff) Defeased by 10/1/93 Penick Memorial Home Series 1993A Bond Issue
- (gg) Defeased by 7/15/93 Memorial Mission Hospital Series 1993 Bond Issue
- (hh) Defeased by 12/1/93 Scotland Memorial Hospital Series 1993 Bond Issue
- (ii) Defeased in part by 1/1/94 The Pines at Davidson Series 1994 Bond Issue
- (jj) Defeased by 1/1/94 St. Joseph's Hospital Series 1994 Bond Issue
- (kk) Defeased in part by 3/1/94 The Forest at Duke Series 1994 Bond Issue
- (ll) Defeased by 3/15/94 C.J. Harris Community Hospital Series 1994 Bond Issue
- (mm) Defeased in part by 8/12/93 Duke University Hospital Series 1993A Bond Issue
- (nn) Defeased by 9/15/94 United Church Retirement Homes Series 1994 Bond Issue
- (oo) Defeased by 7/1/94 Southminster Series 1994 Bond Issue
- (pp) Defeased by 10/15/95 Gaston Memorial Hospital Series 1995 Bond Issue
- (qq) Defeased by 5/1/96 Stanly Memorial Hospital Series 1996 Bond Issue
- (rr) Defeased by 2/15/96 Glenaire Project Series 1996 Bond Issue
- (ss) Defeased by 4/9/97 Lexington Memorial Hospital Series 1997 Bond Issue
- (tt) Defeased by 8/15/96 Grace Hospital Series 1996 Bond Issue
- (uu) Defeased by 2/1/97 Wilson Memorial Hospital Series 1997 Bond Issue
- (vv) Defeased by 12/1/96 Friends Home West Series 1996 Bond Issue
- (ww) Defeased by 2/15/97 Well Spring Retirement Community Series 1997 Bond Issue



(xx) Defeased by 11/1/97 High Point Regional Health System Series 1997 Bond Issue

(yy) Defeased by 11/1/97 Transylvania Community Hospital Series 1997 Bond Issue

(zz) Defeased by 11/21/97 Angel Medical Center Series 1997 Bond Issue

(aaa) Defeased by 4/1/98 Novant Health System Series 1998A Bond Issue

(bbb) Defeased by 3/15/98 Annie Penn Memorial Hospital Series 1998 Bond Issue

(ccc) Defeased in part by 3/15/98 Rex Healthcare Series 1998 Bond Issue

(ddd) Defeased by 9/1/98 Pitt County Memorial Hospital Series 1998A Bond Issue

(eee) Defeased by 6/15/98 Catholic Health East 1998C and 1998D Bond Issues

(fff) Defeased by 9/15/98 Wayne Memorial Hospital Series 1998 Bond Issue

(ggg) Defeased by 9/3/98 Valdease General Hospital, Inc. Series 1998 Bond Issue

(hhh) Defeased by 7/1/98 Alamance Regional Medical Center, Inc. Series 1998 Bond Issue

(iii) Defeased by 9/1/98 Halifax Regional Medical Center Series 1998 Bond Issue

(jjj) Defeased by 11/1/98 Mission-St. Joseph's Health System Series 1998 Bond Issues

(kkk) Defeased by 7/1/98 United Church Retirement Homes Series 1998 Bond Issue

(lll) Defeased by 12/16/99 The McDowell Hospital, Inc., Series 1999 Bond Issue

(mmm) Defeased in part by 6/15/2000 North Carolina Baptist Hospitals Project Series 2000 Bond Issue

(nnn) Defeased by July 2, 2001 Carol Woods Project Bond Issue

(ooo) Defeased by August 1, 2001 The Presbyterian Home at Charlotte, Inc. Bond Issue

(ppp) Defeased by 2003 FirstHealth of the Carolinas Bond Issue

(qqq) Defeased by 2002 WestCare Bond Issue

(rrr) Defeased by 2002 Southminster, Inc. Bond Issue

(sss) Defeased by 2002 ACTS Bond Issue

(ttt) Defeased by 2002 NorthEast Medical Bond Issue

(uuu) Defeased in part by 2003 Gaston Healthcare Bond Issue

(vvv) Defeased by July 1, 2003 Novant Health Bond Issue

(www) Defeased by October 1, 2003 Mission-St. Joseph's Health System Bond Issue

(xxx) Defeased by February 1, 2004 Penick Village Bond Issue

(yyy) Defeased in part by November 1, 2003 The Forest at Duke Bond Issue

(zzz) Defeased by October 16, 2003 Friends Home Bond Issue

(aaaa) Defeased March 15, 2004 Cypress Glen Bond Issue

(bbbb) Defeased in part by December 1, 2003 Well Spring Bond Issue

(cccc) Defeased in part by March 1, 2004 Deerfield Episcopal Retirement Community Bond Issue

(dddd) Defeased by July 15, 2003 Givens Estates Bond Issue

(eeee) Defeased by reissuance of debt January 13, 2005

(ffff) Defeased in part by October 2002 NC Baptist Bond Issue

(gggg) Defeased by June 15, 2005 Morehead Memorial Hospital Bond Issue

(hhhh) Defeased by October 19, 2004 Moses Cone Bond Issue

(iiii) Defeased in part by May 4, 2005 Presbyterian Home Bond Issue

(jjjj) Defeased in part by May 19, 2005 Duke University Health System Bond Issue

(kkkk) Defeased by November 7, 2004 Carolina Meadows Bond Issue

(llll) Defeased in part by April 21, 2005 United Church Bond Issue

(mmmm) Defeased by June 9, 2005 Blue Ridge Health System Bond Issue

(nnnn) Defeased by February 16, 2005 United Methodist Retirement Homes Bond Issue

(oooo) Defeased by July 15, 2004 Cleveland County Healthcare System Bond Issue

(pppp) Defeased in part by February 16, 2006 University Health Systems of Eastern Carolina Bond Issue

(qqqq) Defeased by September 8, 2005 United Methodist Retirement Homes Bond Issue

(rrrr) Reissued for tax purposes by May 3, 2006 bond issue in amount of \$196,050,000

(ssss) Reissued for tax purposes by May 3, 2006 NC Baptist Hospital Bond Issue

(tttt) Reissued for tax purposes by May 9, 2006 CaroMont Bond Issue

(uuuu) Defeased by March 22, 2007 Angel Medical Center Bond Issue  
(vvvv) Defeased in part by January 31, 2007 Mission Health Bond Issue  
(www) Defeased by October 19, 2006 CrossRoad Rest and Retirement Bond Issue  
(xxxx) Defeased by June 14, 2007 Randolph Hospital Bond Issue  
(yyyy) Defeased by November 14, 2006 Moravian Homes, Inc. (Salem towne) Bond Issue  
(zzzz) Defeased by July 13, 2006 Presbyterian Homes, Inc. Bond Issue  
(aaaaa) Defeased in part by May 18, 2007 Alamance Extended Care, Inc. Bond Issue  
(bbbbb) Defeased by March 21, 2007 Arbor Acres (United Methodist Retirement Community) Bond Issue  
(ccccc) Defeased in part by April 4, 2007 Givens Estates Bond Issue  
(dddd) Defeased in part by July 7, 2006 The Pines at Davidson Bond Issue

## **REVENUE BOND AND NOTE ISSUES**

*July 1, 2006-June 30, 2007*

### **The Pines at Davidson - \$30,980,000**

On July 7, 2006, the Commission issued its \$30,980,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (The Pines at Davidson) consisting of \$26,180,000 Series 2006A and \$4,800,000 Series 2006B dated as of the date of delivery, July 7, 2006. The proceeds of the Bonds will be used together with other available funds to (1) pay the cost of the project, (2) refund prior bonds issued by the Commission, (3) pay interest accruing on the Bonds for approximately 18 months, (4) fund a debt service reserve fund and (5) pay certain expenses in connection with the issuance of the Bonds.

The Pines at Davidson, Inc. is a North Carolina nonprofit, non-stock corporation that owns and operates a continuing care retirement center located in the Town of Davidson, Mecklenburg County, North Carolina and known as The Pines at Davidson.

The Corporation was incorporated in February 1983 as "Davidson Retirement Community, Inc." and later changed its name to "The Pines at Davidson, Inc." in June of 2001. The Corporation has been determined to be exempt from federal income taxation under Section 501 (C) (3) of the Internal Revenue Code of 1986, as amended and is also exempt from income taxation under North Carolina law. Members of Davidson College Presbyterian Church and certain alumni of Davidson College began exploring the possibility of building a retirement community in the Town of Davidson, North Carolina in the mid-1970's. This interest led to a capital campaign in the early 1980's that raised over \$2,000,000 as seed money for establishing The Pines.

Construction of the Existing Facilities began in January 1987. Construction of the central building complex containing residential units and common areas and facilities known as the Jetton Community Center and the Mariam Coltrane Schramm Health Center and 12 detached cottages was completed in 1988. The central building originally contained 171 residential units; however, beginning in 1992, the Corporation began combining smaller residential units to create larger residential units in the central building complex to satisfy market demand for the larger residential units. As a result, the number of residential units in the central building complex has been reduced over the years to 158 residential units. Construction of an additional 32 detached cottages was completed over a period of years: 14 were completed in 1989, 10 were completed in 1993 and 8 were completed in 1997. A Warm Water Therapy Facility opened at The Pines in June 1999. This facility includes a 24 ft. x 50 ft.

warm water therapy pool, a hot water whirlpool, outdoor courtyards, locker rooms and an exercise therapy room containing exercise therapy equipment.

The Pines is located on an approximately 32-acre contiguous wooded tract on Avinger Lane in the Town of Davidson, North Carolina. The Corporation also owns approximately 71 acres of adjoining, wooded land that it is holding as investment property. The Pines' central building complex includes 158 residential apartments, the Schramm Health Center and the Jetton Community Center. Walkways connect the central building complex to 44 detached residential cottages clustered nearby. Currently, The Pines has 202 independent living units and 20 assisted living units and 47 nursing beds (39 private and 8 semi-private) in the Schramm Health Center.

The proceeds of the Bonds, together with other available funds, will be used to (1) refund all of the outstanding 1994 Bonds maturing on January 1, 2010 and \$9,335,000 of the principal amount of the 1994 Bonds maturing on January 1, 2019 (the "Refunded Bonds"), (2) pay the cost of constructing and equipping the Project, (3) pay the interest accruing on the Bonds attributable to the Costs of the Project for approximately 18 months after the issuance of the Bonds, (4) fund the Debt Service Reserve Fund and (5) pay certain expenses incurred in connection with the issuance of the Bonds.

The Refunded Bonds consist of all of the outstanding 1994 Bonds except for \$100,000 of the principal amount of the 1994 Bonds maturing on January 1, 2019. The Refunded Bonds are expected to be called for redemption approximately 30 days after the Bonds are issued at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

The project consists of the construction and equipping of an expansion and renovation to the Existing Facilities. Particularly, the Project includes:

- Constructing two new independent living apartment buildings, each containing 12 two-bedroom apartments (for a total of 24 new independent living units), and a new maintenance building;
- Renovating and expanding the existing health care center by adding ten private assisted living units and ten private nursing rooms, converting four semi-private nursing rooms into four private nursing rooms and converting two private nursing rooms for other uses; and
- Expanding and renovating the main kitchen and dining area and renovating various common areas.

The Bonds are rated A- by Fitch Ratings. The Series 2006A \$11,385,000 Serial Bonds mature in the years 2007-2019 with stated interest rates ranging from

4.00% to 4.65% with yields ranging from 4.05% to 4.70%. The Series 2006A \$4,680,000 4.85% Term Bonds due January 1, 2026 yield 4.90%. The Series 2006A \$10,115,000 5.00% Term Bonds due January 1, 2036 yield 5.05%. The Series 2006B \$4,800,000 4.20% Bonds due July 1, 2010 yield 4.20%.

Hunton & Williams, LLP served as bond counsel. Robinson, Bradshaw, & Hinson, PA served as counsel to the underwriters. Herbert J. Sims & Company, Inc. served as Financial Advisor to the Pines. Larson Allen Weishair & Company, LLP prepared the financial feasibility study. US Bank, NA serves as bond trustee. Ziegler Capital Markets Group served as senior manager for the transaction with Wachovia Bank, NA as co-manager.

### **The Presbyterian Homes, Inc. - \$79,235,000**

On July 13, 2006, the Commission issued its \$79,235,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Bonds (The Presbyterian Homes Obligated Group), Series 2006 dated as of the date of delivery, July 13, 2006. The proceeds of the Bonds, together with other available funds, will be used to: (1) finance the construction of 75 additional independent living units at River Landing of Sandy Ridge and to finance a wellness aquatic center at Scotia Village, (2) refund certain outstanding bonds of the Commission issued to finance or refinance projects for The Presbyterian Homes, Inc., (3) pay interest accruing on a portion of the Bonds to July 1, 2008, (4) fund a Debt Service Reserve Fund and (5) pay certain expenses incurred in connection with the issuance of the Bonds.

The Presbyterian Homes, Inc. (the "Parent") was incorporated as a North Carolina nonprofit corporation in December 1946, and began operating a nursing home in January 1952 in High Point, North Carolina. In August 1984, the Parent's charter was amended to create a corporate umbrella to oversee the development and operation of continuing care retirement communities ("CCRCs") under the management of the Parent and sponsored by the Synod of the Mid-Atlantic of the Presbyterian Church (USA).

In September 1984, an unincorporated operating division of the Parent was formed to operate The Presbyterian Home of High Point, a CCRC located in High Point, North Carolina (the "The Presbyterian Home of High Point Community").

Scotia Village, an unincorporated operating division of the Parent, traces its origin to 1981 when it grew out of meetings among Presbyterian ministers and community leaders to discuss the establishment of a CCRC in Laurinburg, North

Carolina (the "Scotia Village Community"), which became an operating division of the Parent in August 1984.

Glenaire, Inc. ("Glenaire"), an affiliate of the Parent, traces its origin to 1981 when a group of Presbyterians in the First Presbyterian Church in Raleigh, North Carolina, saw the need to provide a CCRC in the Wake County area. The group was formally organized in 1984, as an operating division of the Parent with its own duly constituted Board of Trustees. In 1989, upon completion of a market survey, a fundraising feasibility study and an analysis of alternate sites, the Board of Trustees of the operating division chose a site located in Cary, North Carolina as the future location for a new CCRC to be known as "Glenaire". Glenaire, Inc., opened its doors for operation in 1993. The facility was financed through loans from the North Carolina Medical Care Commission.

River Landing at Sandy Ridge, an unincorporated operating division of the Parent, was formed in 1998 and began operation in January 2003. The need for River Landing at Sandy Ridge grew out of the inability of The Presbyterian Home of High Point to expand as a result of the State of North Carolina taking by eminent domain approximately ten acres of the 29 acres of The Presbyterian Home of High Point's campus for highway construction. Therefore, a financial and market study was conducted to ascertain the feasibility of maintaining the existing facility and building a new continuing care retirement community in the Triad area, consisting of the area between and including the cities of Greensboro, High Point and Winston-Salem. As a result of the findings of those two studies the Board of Governors of the Parent thereupon decided to proceed with building a new CCRC in Colfax, North Carolina (the "River Landing Community"). The facility was financed through a loan from the Commission.

The project to be funded with the 2006 Bonds consists of (a) the construction of 75 additional independent living units, consisting of 50 apartment units and 25 cottages, at the Parent's River Landing Retirement Community in Colfax, North Carolina and (b) the construction of a wellness/aquatic center and café at the Parent's Scotia Village Retirement Community in Laurinburg, North Carolina. The portion of the Project consisting of the construction of the additional independent living units at the River Landing Community relates to management's plan to increase the cost efficiency and competitive position of the Parent by expanding the River Landing Community and eventually closing the Presbyterian Home of High Point Community.

A portion of the proceeds of the 2006 Bonds will be used, together with a portion of the moneys held in an interest account and a debt service reserve fund for the 2001 Bonds, to refund the Commission's Health Care Facilities First Mortgage Revenue Bonds (The Presbyterian Homes, Inc., Project), Series 2001 Bonds stated to mature on October 1, 2031, in order to achieve debt service savings.

The Bonds are not rated. The \$500,000 Serial Bonds mature in the years 2012 through 2016 with stated interest rates ranging from 4.875% to 5.125% with yields ranging from 4.90% to 5.15%. The \$7,300,000 5.375% Term Bonds due October 1, 2022 yield 5.397%. The \$29,450,000 5.40% Term Bonds due October 1, 2027 yield 5.487%. The \$30,335,000 5.50% Term Bonds due October 1, 2031 yield 5.56%. The \$11,650,000 5.60% Term Bonds due October 1, 2036 yield 5.60%

Larsen Allen Weishair & Company, LLP prepared the financial feasibility study for the Issue. Womble Carlyle Sandridge & Rice, PLLC served as Bond Counsel. Sidley Austin, LLP served as Counsel to the Underwriters. SunTrust Bank serves as trustee for the Bonds. AG Edwards Capital Markets served as senior manager with Davenport and Company LLC as co-manager for the transaction.

### **The Presbyterian Homes, Inc. - \$33,290,000**

On August 9, 2006, the Commission issued its \$33,290,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (The Presbyterian Homes Obligated Group) Series 2006B dated as of the date of delivery, August 9, 2006. The proceeds of the Bonds will be used together with other available funds, to (1) refund the outstanding Commission's Health Care Facilities First Mortgage Revenue Bonds (The Presbyterian Homes, Inc. Project), Series 2001 (2) fund a debt service reserve fund for the Bonds and (3) pay certain expenses incurred in connection with the issuance of the Bonds.

The Bonds are not rated. The \$19,410,000 Serial Bonds mature in the years 2007 through 2016 and carry stated interest rates ranging from 4.625% to 5.00% with yields ranging from 4.43% to 5.06%. The \$13,880,000 5.20% Term Bonds due October 2021 yield 5.22%.

Womble Carlyle Sandridge & Rice, PLLC served as bond counsel. Sidley Austin, LLP served as counsel to the underwriters, AG Edwards Capital Markets served as senior manager with Davenport & Company, LLC as co-manager for the issue. SunTrust Bank serves as bond trustee.

### **Wayne Memorial Hospital - \$35,000,000**

On September 21, 2006, the Commission issued its \$35,000,000 North Carolina Medical Care Commission Hospital Revenue Bonds (Wayne Memorial Hospital) Series 2006 (Auction Rate Securities) dated as of the date of delivery, September 21, 2006. The proceeds for the issue are being loaned to Wayne Health Corporation and Wayne Memorial Hospital to provide funds, to be used together with other available funds to (1) pay or reimburse the cost of acquiring,



constructing, renovating and equipping certain hospital facilities and (2) pay certain expenses incurred in connection with the issuance and sale of the Bonds.

Wayne Health Corporation (the "Corporation") is a North Carolina nonprofit corporation organized in 1985 and is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended. The Corporation serves as the parent corporation for a healthcare system (the "System") located in Wayne County, North Carolina comprised of Wayne Memorial Hospital, Inc. (the "Hospital") and six other direct or indirect affiliates. The Corporation is not involved in any activities other than serving as the sole member of the Hospital, holding title to and leasing certain assets to the Hospital, and directly or indirectly controlling the six other affiliates comprising the System.

The Hospital is a North Carolina nonprofit corporation organized in 1985 and is a Section 501 (C) (3) Organization. The Hospital operates a 316-licensed bed hospital facility (the "Hospital Facility") originally constructed in 1970. The Hospital provides a range of general acute care, ambulatory and ancillary services to patients principally in the County.

Prior to 1985, the Hospital Facility was owned by the County. On October 1, 1985, ownership of the land, buildings and equipment then constituting the Hospital Facility was conveyed to the Corporation pursuant to Chapter 131E-8 of the General Statutes of North Carolina pursuant to a Transfer Agreement, dated as of October 1, 1985, between the County and the Corporation. The Transfer Agreement and the deed from the County to the Corporation require the Corporation to continue to operate the Hospital Facility as a community general hospital open to the general public, free of discrimination based upon race, creed, color, sex or national origin, and to continue to furnish care to indigent patients, and the Transfer Agreement and the deed include a right to reversion to the County in the event that the Corporation fails to operate the Hospital Facility as required in the Transfer Agreement.

The Project consists of the following components:

1. relocation and replacement of the existing energy plant (the "Energy Project") originally constructed in 1970; and
2. reimbursement of approximately \$3.0 million for medical equipment purchased in 2005 and 2006.

The Energy Project includes replacing aged, major mechanical equipment to improve operating and maintenance efficiency. Utility capacity will increase, redundancy will be built-in and technology will be upgraded. Energy Project



components include a new central energy plant, a utility tunnel, a new laundry building with storage and a grounds maintenance building. Replacement equipment includes three 1,500-ton chillers and cooling towers, three new 600 BHP boilers, new piping for chilled water and steam, two 2,000-megawatt emergency generators, new switchgear and service feeds, redundant normal power feeds and laundry equipment and recycling system.

The Hospital has entered into a guaranteed maximum price contract with R.N. Rouse & Co., Inc. for construction of the Energy Project. The Corporation and the Hospital have received or anticipate receiving all required permits and approvals necessary to permit the construction and operation of the Energy Project in accordance with its planned schedule. Construction of the Energy Project is expected to begin in October 2006 and to be completed in eighteen months.

The Series 2006 Bonds are initially issued bearing interest at Auction Rates with an Auction Period of generally seven days. The Bonds are subject to conversion to another Interest Rate Period, which would affect the liquidity and dates of payment of interest and the calculation of interest. The Bonds are rated Aaa by Moody's based upon the issuance by Ambac Assurance of its noncancellable insurance policy, which extends for the life of the bonds. Moody's also assigned an underlying rating to the Bonds of A2 based on the credit worthiness of the Obligated Group. The Bonds are subject to mandatory redemption in the years 2022 through 2036.

McGuire Woods, LLP served as bond counsel and Womble Carlyle Sandridge & Rice, PLLC served as counsel to the underwriter. Branch Banking and Trust Company serves as bond trustee. Wachovia Securities served as underwriter for the Issue. Kaufman Hall & Associates served as financial advisor to the Hospital.

### **The Cross Road Rest and Retirement Center, Inc. - \$8,300,000**

On October 19, 2006, the Commission issued its \$8,300,000 North Carolina Medical Care Commission Adjustable Rate Demand Health Care Facility Revenue Bonds (The Cross Road Rest and Retirement, Inc., Project), Series 2006 dated as of October 19, 2006, the date of delivery.

The Cross Road Rest and Retirement Center is located in Asheboro, North Carolina. It was organized in 1982 to provide housing and healthcare to elderly residents within the Randolph County community. The original assisted living facility containing 60 units opened in October 1983. Five apartment units were added in 1984 and an Alzheimer's care facility was added in 1995. In 2002, a childcare center was added. Currently, the assisted living facility contains 110 beds and the Alzheimer's care facility contains 36 beds.

A portion of the proceeds of the Series 2006 Bonds is being used to refund the Commission's Adjustable Rate Demand Health Care Facility Revenue Bonds (The Cross Road Rest and Retirement Center, Inc. Project), Series 1999 outstanding in the amount of \$4,225,000. The proceeds of the Bonds are also funding a project for the improvement of the facility, including the conversion of shared bathrooms into private bathrooms in the assisted living facility, refinancing bank loans incurred to fund previous construction projects and funding the costs of other improvements.

The Bonds initially will bear interest at the weekly interest rate and are secured as to payment of the principal of purchase price and interest on by an irrevocable, direct-pay letter of credit issued by RBC Centura Bank. The Bonds are rated A/A-1 by Standard & Poor's based on the letter of credit provided by RBC Centura Bank. The Bonds are subject to mandatory sinking fund redemption in the years 2008-2026. Hunton and Williams, LLP served as bond counsel. Pack, Shaffer and Williams, LLP served as counsel to the underwriters. Lancaster Pollard served as underwriter for the Bonds and serves as remarketing agent for the Bonds. Wells Fargo serves as bond trustee.

#### **Moravian Home, Inc. dba Salemtowne - \$35,225,000**

On November 14, 2006, the Commission issued its \$35,225,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (Salemtowne) Series 2006, dated as of November 14, 2006, the date of delivery. The Bonds were issued for the purpose of providing funds to Moravian Home, Incorporated to be used together with other available funds to (1) refund certain outstanding revenue bonds of the Commission, the proceeds of which were loaned to the Moravian Home, (2) fund a debt service reserve fund and (3) pay certain expenses incurred in connection with the issuance and sale of the Bonds.

Moravian Home, Incorporated (the "Corporation"), doing business as Salemtowne, is a charitable, nonprofit, North Carolina corporation which operates a private, continuing care retirement community ("Salemtowne"). Salemtowne is located in Winston-Salem, North Carolina, and has operated at its present site since December 4, 1972.

The Corporation commenced operations on December 4, 1972 with 40 licensed assisted living accommodations. The original assisted living building, named the Volger Building, was renovated and added to in 1977 and 2003 and now contains 46 assisted living accommodations as well as apartment units.

The Corporation's Health Care Center was completed in 2000 and completely replaced the previous Health Care Center. The Health Care Center contains 84 licensed beds, 33 of these beds are Medicare certified, of which 20 are also Medicaid certified.

The Corporation added independent living cottages in three phases: (1) 22 cottages were built between 1982 and 1987, these are located in an area called "Wachovia Village", (2) 31 cottages were built between 1990 and 1995, these are located in an area called "Salem Village"; (3) 20 cottages were built between 2000 and 2001, these are located in an area called "Bethabara Place."

The Corporation also added independent living apartments in three phases: (1) 9 apartments in the Volger Building, which was built in 1971; (2) 41 apartments were added in 1986 in "Bahnsen Hall", and (3) 59 apartments were added in a new apartment building completed in 2002.

A new fitness and community center was completed in 2002.

The Corporation is exempt from income tax as an entity described in Section 501(C) (3) of the Internal Revenue Code of 1986.

The refunding generated a net present value savings of \$2,159,699.24, which equates to 6.554474% percentage savings of the refunded bonds. The Series 2006 Bonds has an all in true interest costs of 5.209288%. The \$8,425,000 Serial Bonds mature in the years 2007-2016 and have yields ranging from 4.200% to 4.85% with stated interest rates ranging from 4.200% to 5.000%. The bifurcated Serial Bonds in the amount of \$1,230,000 matures in 2013 and 2015 have stated interest rates of 4.625% for both the 2013 and 2015 maturities and yields 4.700% for the maturity in 2013 and yields 4.800% for the 2015 maturity.

The 2023 Term Bonds maturing October 1, 2023 in the amount of \$10,540,000 has a stated interest rate of 5.00% and yield of 5.00%. The 2030 Term Bonds maturing October 1, 2030 in the amount of \$15,030,000 has a stated interest rate of 5.100% as a yield of 5.100%. The Bonds are not rated. A G Edwards Capital Markets served as senior manager with BB&T Capital Markets as co-manager. Robinson Bradshaw & Hinson, PA served as bond counsel. Womble Carlyle Sandridge & Rice, PLLC served as counsel to the underwriters. The Bank of New York Trust Company serves as bond trustee.

## **Duke University Health System - \$150,715,000**

On November 15, 2006, the Commission issued its \$150,715,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Duke University Health System) Series 2006 (Indexed Put Bonds) in three series: \$65,355,000 Series 2006A, \$65,360,000 Series 2006B and \$20,000,000 Series 2006C dated as of the date of issuance, November 15, 2006. The proceeds of the Bonds will be used to (1) refund an existing loan (2) pay or reimburse Duke University Health System (DUHS) for paying the costs of acquiring, constructing and equipping certain capital improvements and (3) pay all or a portion of the expenses incurred in connection with the issuance and delivery of the Bonds.

Duke University Health System, Inc. ("DUHS" or the "Health System") is a private, nonprofit corporation exempt from taxation under Section 501 (a) of the Internal Revenue Code of 1986, as amended, as an organization described in Section 501 (C) (3) of the Code. The Health System is a controlled affiliate of Duke University (the "University"), a private, nonprofit institution of higher education, research and health care located primarily in Durham, North Carolina. The University organized DUHS in March 1998 primarily for the purpose of owning and operating the University's integrated academic health system. The University transferred its integrated health system assets to DUHS in April 1999.

The Health System's primary hospital facility is Duke University Hospital. Duke University Hospital is an academic medical center and is recognized nationally and internationally for excellence in patient care, medical education and biomedical research. With 965 licensed beds, Duke University Hospital is one of the largest private hospitals in the Southeast. Duke University Hospital is located on the campus of the University and the hospital, together with various other facilities located on campus, including the Duke University School of Medicine, the Duke University School of Nursing, the faculty practice plan (organized as the Private Diagnostic Clinic, PPL and various research facilities, is sometimes referred to as "Duke University Medical Center" or "DUMC".

The Health System also includes two additional hospital facilities, 186-bed Duke Health Raleigh Hospital and 369-bed Durham Regional Hospital. Both of these facilities are general acute care community hospitals, which provide secondary and tertiary care. In total, the Health System has approximately 1,800 physicians on the medical staffs.

Specific highlights of the Health System and the Duke University School of Medicine include:

## DUHS/DUMC

- Duke University Hospital, a world-renowned academic medical center
- 2 Community Hospitals
- 71 clinics and ambulatory care centers (51 of the clinics are not owned by the Health System; such clinics are owned and operated by the PDC)
- Approximately 1,800 physicians on the medical staffs
- Nearly 60,000 adult discharges and over 70,000 surgical procedures in fiscal year 2006
- Duke University Hospital was ranked by U.S. News and World Report among the top seven hospitals in the country in 2006

The Project consists of five main areas of capital expenditures: 1) infrastructure, renovations and improvements, as well as routine capital equipment acquisitions; 2) information systems improvements; 3) a renovation and expansion of the emergency department at Duke University Hospital; 4) heliport and new roof improvements at Duke University Hospital and 5) phases one and two of an operating rooms suite renovation and expansion at Duke University Hospital.

The Project includes funding and completing approximately 28 routine infrastructure, renovation and improvement projects at both Duke University Hospital and Duke Health Raleigh Hospital. Costs included equipment purchases and any related construction. Of the 28 projects, no individual project is expected to cost in excess of \$5,000,000. The approximate costs of such acquisition, renovation and improvement projects are \$47,070,000.

The Project also included approximately \$15,882,000 for improvements to DUHS' information systems, including its enterprise surgical information system as well as its picture archive and communication system.

In addition, the Project includes a renovation and expansion of the emergency department at Duke University Hospital. The square footage of the emergency department will be increased by approximately 34,000 square feet to a total of 56,770 square feet. The approximate cost of this expansion is \$29,800,000. Improvements to Duke University Hospital's heliport and new roof will cost approximately \$6,652,000.

Finally, the Project includes an addition and renovation to Duke University hospital's operating room suite. The addition and renovation will be done in three phases. The Series 2006 Bonds will finance phases I and II. Phase I involves the addition of 78,000 square feet to be added on to the existing hospital and is expected to cost approximately \$36,636,000 and phase II is for the renovation of the pre-operation and post-anesthesia care areas and is expected to cost \$16,

273,000. After the completion of phase III (which is not being funded from the Series 2006 Bonds), 11 of the 35 OR suites will be "state-of-the-art" (4 new rooms and 7 replacement rooms).

DUHS has financed a portion of the cost of the acquisition, construction and installation of the Project from the proceeds of a line of credit (the "Prior Loan") provided by Central Carolina Bank, now known as SunTrust Bank. A portion of the proceeds of the Bonds will be used to refund the Prior Loan.

Fitch, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S & P"), have assigned the Bonds ratings of "AA", "Aa3" and "AA" respectively.

The Bonds of each Series will be issued initially as Indexed Put Bonds in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof. The Bonds shall bear interest at an Indexed Put Rate plus the Applicable Spread. The initial Applicable Spread is 0.30% per annum. While bearing interest at an Indexed Put Rate, interest on the Bonds of each Series shall be payable on the first Thursday of each calendar month, or, if the first Thursday is not a Business Day, the next succeeding Business Day. While the Bonds of each Series bear interest at the Indexed Put Rate, they are subject to mandatory tender for purchase on each Indexed Put Date and may be tendered at the option of a Holder following an Extraordinary Purchase Event. The Initial Indexed Put Date for each Series is December 1, 2011.

While the Series 2006A Bonds are Indexed Put Bonds, such Series 2006A Bonds are subject to mandatory sinking fund redemption on the first Thursday of June in the years 2011 through 2015 and 2029 through 2039 at the principal amount set forth below, without premium:

#### **Series 2006A Bonds**

<u><b>Year</b></u>	<u><b>Amount</b></u>	<u><b>Year</b></u>	<u><b>Amount</b></u>
<b>2011</b>	<b>\$2,150,000</b>	<b>2032</b>	<b>\$4,520,000</b>
<b>2012</b>	<b>\$2,240,000</b>	<b>2033</b>	<b>\$4,655,000</b>
<b>2013</b>	<b>\$2,505,000</b>	<b>2034</b>	<b>\$4,790,000</b>
<b>2014</b>	<b>\$2,695,000</b>	<b>2035</b>	<b>\$4,915,000</b>
<b>2015</b>	<b>\$2,885,000</b>	<b>2036</b>	<b>\$5,075,000</b>
<b>2029</b>	<b>\$4,120,000</b>	<b>2037</b>	<b>\$5,230,000</b>
<b>2030</b>	<b>\$4,265,000</b>	<b>2038</b>	<b>\$5,380,000</b>
<b>2031</b>	<b>\$4,390,000</b>	<b>2039</b>	<b>\$5,540,000</b>

While the Series 2006B Bonds are Indexed Put Bonds, such Series 2006B Bonds are subject to mandatory sinking fund redemption on the first Thursday of June in the years 2011 through 2015 and 2029 through 2039 at the principal amount set forth below, without premium:

**Series 2006B Bonds**

<b><u>Year</u></b>	<b><u>Amount</u></b>	<b><u>Year</u></b>	<b><u>Amount</u></b>
<b>2011</b>	<b>\$2,150,000</b>	<b>2032</b>	<b>\$4,520,000</b>
<b>2012</b>	<b>\$2,235,000</b>	<b>2033</b>	<b>\$4,655,000</b>
<b>2013</b>	<b>\$2,510,000</b>	<b>2034</b>	<b>\$4,790,000</b>
<b>2014</b>	<b>\$2,690,000</b>	<b>2035</b>	<b>\$4,920,000</b>
<b>2015</b>	<b>\$2,885,000</b>	<b>2036</b>	<b>\$5,080,000</b>
<b>2029</b>	<b>\$4,115,000</b>	<b>2037</b>	<b>\$5,230,000</b>
<b>2030</b>	<b>\$4,265,000</b>	<b>2038</b>	<b>\$5,380,000</b>
<b>2031</b>	<b>\$4,390,000</b>	<b>2039*</b>	<b>\$5,545,000</b>

While the Series 2006C Bonds are Indexed Put Bonds, such Series 2006C Bonds are subject to mandatory sinking fund redemption on the first Thursday of June in the years 2011 through 2015 and 2029 through 2039 at the principal amount set forth below, without premium:

**Series 2006C Bonds**

<b><u>Year</u></b>	<b><u>Amount</u></b>	<b><u>Year</u></b>	<b><u>Amount</u></b>
<b>2011</b>	<b>\$700,000</b>	<b>2032</b>	<b>\$1,365,000</b>
<b>2012</b>	<b>\$725,000</b>	<b>2033</b>	<b>\$1,405,000</b>
<b>2013</b>	<b>\$815,000</b>	<b>2034</b>	<b>\$1,445,000</b>
<b>2014</b>	<b>\$875,000</b>	<b>2035</b>	<b>\$1,485,000</b>
<b>2015</b>	<b>\$935,000</b>	<b>2036</b>	<b>\$1,530,000</b>
<b>2029</b>	<b>\$1,240,000</b>	<b>2037</b>	<b>\$1,575,000</b>
<b>2030</b>	<b>\$1,285,000</b>	<b>2038</b>	<b>\$1,625,000</b>
<b>2031</b>	<b>\$1,325,000</b>	<b>2039*</b>	<b>\$1,670,000</b>

Citigroup served as senior manager for the issue with SunTrust Capital Markets as co-manager. Robinson Bradshaw & Hinson, PA served as bond counsel and Womble Carlyle Sandridge & Rice, PLLC served as counsel to the underwriter. Ponder & Company served as financial advisor to DUHS. The Bank of New York Trust Company serves as bond trustee for the three series of Bonds.

## **Novant Health - \$250,000,000**

On December 14, 2006, the Commission issued its \$250,000,000 North Carolina Medical Care Commission Health Facilities Revenue Bonds (Novant Health Obligated Group) Series 2006 dated as of the date of delivery, December 14, 2006. The proceeds of the issue will be used to (1) finance or refinance improvements to its healthcare facilities and (2) pay all or a portion of the expenses incurred in connection with the issuance of the book.

Novant Health, Inc. ("Novant") is a North Carolina nonprofit corporation with dual headquarters in Winston-Salem and Charlotte, North Carolina. Novant was created on July 1, 1997, when North Carolina Mediacorp, Inc. merged with and into Presbyterian Health Services Corporation, which then changed its name to Novant Health, Inc.

Novant and its affiliates operate an integrated health care delivery system (the "Health System") that serves a total market of approximately 2.5 million people extending from the North Carolina to the Virginia border into northern South Carolina plus coastal Brunswick County, North Carolina. To facilitate governance and management of the Health System, Novant utilizes a regional holding company structure that divides its total market into two principal market areas: 1) the Triad Region, which consists of Forsyth County, North Carolina and six contiguous counties and 2) the Southern Piedmont Region, which consists of Mecklenburg County, North Carolina and six contiguous counties. In addition, on March 1, 2006, Novant acquired the operations of Brunswick Community Hospital in Supply, Brunswick County, North Carolina.

The Health System provides a full continuum of health care services. The Health System consists of eight acute hospitals, including two flagship tertiary care hospitals: Forsyth Medical Center and Presbyterian Hospital. The Health System's other acute care hospitals are Medical Park Hospital, Thomasville Medical Center, Presbyterian Hospital Matthews, Presbyterian Orthopedic Hospital, Presbyterian Hospital Huntersville and Brunswick Community Hospital. In addition to acute inpatient care, the Health System also provides long-term care, behavioral health services and outpatient services such as physical, occupational and speech therapies, imaging modalities and outpatient surgery. The Health System also includes an employed physician group which, as of September 30, 2006, consisted of 638 physicians and 202 mid-level providers (e.g., physician assistants and nurse practitioners) located at 136 sites in 15 counties.

The Project consists of (a) acquiring, constructing, improving, renovating, expanding and equipping various health care facilities on the campus of Forsyth



Medical Center in Winston-Salem, North Carolina, including (i) the construction and equipping of an approximately 357,699 square foot, nine story addition to, and the renovation and equipping of approximately 97,899 square feet of existing space at, Forsyth Medical Center to provide new facilities for, and the modernization of existing facilities for, women's health services, cardiology services and medical/surgical services, (ii) the construction of a multi-level parking garage, containing approximately 1,416 parking spaces, (iii) the construction and equipping of a new approximately 18,620 square-foot power plant, (iv) the addition of two new approximately 2,000-ton chillers, one of which will replace an existing 1,200-ton chiller, (v) master site development, including improvements to infrastructure and utilities in order to accommodate the construction of the new facilities described above, and (vi) the acquisition of certain furniture, fixtures, and medical, computer, office and capital equipment, including replacement of Pyxis machines and acquisition of IV pumps; and (b) acquiring, constructing, improving, renovating, expanding and equipping various health care facilities on the campus of Presbyterian Hospital in Charlotte, North Carolina, including replacement of Pyxis machines and acquisition of IV pumps.

A portion of the Bonds will be used to refinance an approximately \$57.6 million line of credit with Wachovia Bank, National Association and Bank of America, N.A., the proceeds of which were used to acquire, construct and equip Presbyterian Hospital Huntersville.

Approximately \$100 million of the proceeds of the Bonds will be used to reimburse Members of the Combined Group for Expenditures already made by such Members for the Project.

Fitch, Inc. ("Fitch"), Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned the Bonds ratings of "AA-," "Aa3" and "AA-", respectively.

The Term Bonds maturing on November 1, 2034 in an amount of \$79,355,000 carry a stated interest rate of 5.00% with a yield of 4.270%. The Term Bonds maturing on November 1, 2036 in the amount of \$63,590,000 carry a stated interest rate of 4.50% with a yield of 4.49%. The Term Bonds maturing on November 1, 2039 in the amount of \$107,055,000 carries a stated interest rate of 5.00% with a yield of 4.300%.

Robinson Bradshaw & Hinson, PA served as bond counsel with Womble Carlyle Sandridge & Rice, PLLC serving as counsel to the underwriters. Wachovia Securities served as senior manager with Banc of America Securities, LLC, BB&T Capital Markets and Citigroup as co-managers. The Bank of New York Trust

Company serves as bond trustee. Shattuck Hammond Partners, LLC served as financial advisor to Novant.

### **Mission Health - \$260,430,000**

On January 31, 2007, the Commission issued its \$260,430,000 North Carolina Medical Care Commission Health System Revenue Bonds (Mission Health Combined Group) Series 2007 dated as of the date of delivery, January 31, 2007. The proceeds of the Bonds will be used to (1) finance the costs of additional health care facilities, (2) finance a portion of the interest on the Bonds during construction, (3) refund certain bonds previously issued for Mission Health and (4) pay certain expenses of issuing the Bonds.

Mission Health, Inc. ("Mission Health") is a North Carolina nonprofit corporation headquartered in Asheville, North Carolina. Since October 1998, when the healthcare delivery system owned and operated by Mission Health and its affiliates (the "Health System") was created as a result of the merger of St. Joseph's Hospital with and into Memorial Mission Hospital, Inc. (now known as Mission Hospitals, Inc.), Mission Health has served as the parent corporation for its affiliates and the Health System. From October 1998 to December 2003, Mission Health was named – Mission - St. Joseph's Health System, Inc.

The Health System, which includes hospitals and outpatient services, provides primary, secondary and tertiary healthcare services to patients who generally reside in an 18 county service area in western North Carolina.

The Health System consists of three acute care hospitals: (1) Mission Hospitals, its flagship tertiary facility in Asheville, Buncombe County, North Carolina, (2) Spruce Pine Community Hospital, in Mitchell County, North Carolina, and (3) The McDowell Hospital, in McDowell County, North Carolina. In addition to acute inpatient care, the Health System also provides services that include physical, occupational and speech therapies, imaging modalities, outpatient surgery and a children's outpatient center, as well as a broad range of medical billing, collection, accounts receivable management, and medical transcription services.

The Master Indenture, under which Mission issues debt, authorizes the creation of a Combined Group, which consists of Members of the Obligated Group and Designated Members. The Members of the Obligated Group are jointly and severally liable for the payment of all Obligations issued under the Master Indenture. Mission Health is the sole Member of the Obligated Group.

Designated Members are not directly obligated to pay Obligations issued under the Master Indenture; however, the Members of the Obligated Group have

covenanted in the Master Indenture to cause the Designated Members to provide funds to the Members of the Obligated Group to pay such Obligations.

Mission Health has designated four of its affiliates as Designated Members:

- Mission Hospitals, Inc., a North Carolina nonprofit corporation of which Mission Health is the sole member;
- Blue Ridge Hospital System, Inc. ("Spruce Pine"), a North Carolina nonprofit corporation, of which Mission Health is the sole member, that owns and operates Spruce Pine Community Hospital.
- Mission Healthcare Foundation, Inc., a North Carolina nonprofit corporation of which Mission Health is the sole member; and
- Horizon Health Corporation, a North Carolina for-profit corporation, which is a wholly-owned subsidiary of Mission Health.

All of the Members of the Combined Group except Horizon Health Corporation are exempt from federal and North Carolina income taxation.

Mission Health will use a portion of the proceeds of the Bonds to finance a portion of the cost of additional health care facilities, including:

- Construction of a 215,000 square foot building for additional surgical facilities and patient rooms on the Memorial campus,
- The refinance of the acquisition of approximately 29 acres of real property and an approximately 256,000 square foot building into which certain departments of Mission Health and Mission Hospitals, Inc. have been or will be relocated, and
- A 50,000 square foot addition to Spruce Pine Community Hospital for additional emergency room facilities, radiology facilities, a labor and delivery observation section, and patient beds.

Mission Health will also use proceeds of the Bonds to pay the costs of issuing the Bonds. Mission Health also expects to use investment earnings on the proceeds of the Bonds to pay a portion of the interest accruing on the Bonds during construction of the Project.

Mission Health will also use a portion of the proceeds of the Bonds to repay certain of its obligations under the loan agreement dated November 1, 1998, pursuant to which the Commission lent the proceeds of the 1998 Bonds. Mission Health will also use a portion of the proceeds of the Bonds to repay certain of its obligations under the loan agreement dated September 1, 2001, pursuant to which the Commission lent it the proceeds of the 1998 Bonds. Mission Health will use such prepayments to refund \$62,790,000 of its 1998 Bonds, which represents a pro rata portion of each of the 1998 Bonds maturing on or after October 1,

2009, and \$96,825,000 of its 2001 Bonds, which is all of the 2001 Bonds maturing on or after October 2012.

Mission Health will call the portion of the 1998 Bonds being refunded for redemption on October 1, 2008, at a redemption price equal to 101% of the principal amount thereof being refunded plus accrued interest to the redemption date. Mission Health will call the portion of the 2001 Bonds being refunded for redemption on October 1, 2011, at a redemption price equal to 101% of the principal amount thereof plus accrued interest to the redemption date.

The Bonds are rated "Aa3" by Moody's Investors Service, Inc. and "AA" by Standard & Poor's Rating Service and "AA" by Fitch, Inc. The ratings are based on the evaluation of credit quality of Mission Health. The \$118,745,000 Serial Bonds mature in the years 2007-2032 with stated interest rates ranging from 4.00% to 4.50% and yields ranging from 3.67% to 4.53%.

The \$36,030,000 4.25% Term Bonds maturing October 1, 2029 yield 4.50%. The \$31,025,000 4.50% Term Bonds maturing October 31, 2031 yield 4.52%. The \$74,630,000 5.00% Term Bonds maturing October 1, 2036 yield 4.35%.

Robinson Bradshaw & Hinson, PA served as bond counsel and Helms Mullis and Wicker, PLLC served as counsel to the underwriters. Banc of America Securities, LLC served as senior managers with Citigroup, SunTrust Capital Markets and Wachovia Securities serving as co-managers. The Bank of New York Trust Company serves as trustee for the bonds.

### **Chatham Hospital - \$30,540,000**

On February 8, 2007, the Commission issued its \$30,540,000 North Carolina Medical Care Commission FHA Insured Mortgage Revenue Bonds (Chatham Hospital Project) Series 2007 dated as of the date of delivery, February 8, 2007. The proceeds of the Bonds will be used together with other available funds to (1) pay the costs of constructing and equipping a replacement hospital, (2) pay a portion of the interest accruing on the Series 2007 Bonds during construction of the project, (3) fund a debt service reserve fund and (4) pay certain costs incurred in connection with the issuance of the Series 2007 Bonds.

Chatham Hospital, Incorporated (the "Corporation") is a private, nonprofit corporation organized under the laws of the State of North Carolina and is exempt from federal income taxation as an organization described in Section 501(C)(3) of the Internal Revenue Code of 1986, as amended. The Corporation currently owns and operates a 25-bed critical access hospital operating as

Chatham Hospital (“Chatham Hospital”) located in Siler City, North Carolina. The Corporation provides a wide array of healthcare-related services. The Corporation’s mission is to deliver quality and fiscally responsible healthcare that meets the needs of its patients, physicians and employees and the communities within its service area.

Established in 1937, Chatham Hospital was the only medical facility at that time in Siler City. The existing hospital facility known as Chatham Hospital opened in 1950. A wing was added to Chatham Hospital in 1969 and an emergency room addition was completed in 1997. Major components of Chatham Hospital include two operating rooms, an emergency room, 19 medical/surgical inpatient rooms, a six-bed Intensive care unit, and outpatient services (including diagnostic imaging and laboratory).

Chatham Hospital provides a broad range of inpatient and outpatient services, including 24-hour emergency services, physical therapy, surgery, endoscopy, radiology, magnetic resonance imaging, laboratory, pharmacy, cardiovascular/pulmonary services, nutrition services (including dietary counseling and diabetes education), cardiac services (including echocardiogram, Holter monitoring and Doppler studies) and sleep studies.

Chatham Hospital is located on former U.S. Highway 64, which was the main east-west thoroughfare through Chatham County. U.S. Highway 64 has since been rerouted to the north and Chatham Hospital is now located away from major traffic patterns in the area. The current site of Chatham Hospital is also landlocked, preventing expansion, limiting parking space and creating patient access issues. As a result of these limitations, the Board of Trustees of the Corporation decided to replace and relocate Chatham Hospital. The site of the replacement hospital (the “Replacement Hospital”) is an approximately 30 acre tract within the Chatham County Business Campus and is located near the intersections of U.S. Highways 64 and 421.

The Replacement Hospital will consist of approximately 66,000 square feet of space and will have 25 licensed beds. The design of the Replacement Hospital will enhance outpatient volume by emphasizing access to outpatient services. All patient care areas, including patient rooms, will be larger. The Replacement Hospital will be more comfortable and accessible and will be more centrally located near major roadways. Management of the Corporation believes that the Replacement Hospital will also enhance employee and physician recruitment, retention and satisfaction.

Since 2002, the Corporation has participated in the Critical Access Hospital Program (the “CAH Program”) administered by the Centers for Medicare and Medicaid Services. The Corporation is qualified as a “necessary provider” by the

State of North Carolina. The CAH Program is designed to support small rural hospitals. In order to participate in the CAH Program, a hospital must meet the following criteria:

- Be located in a rural area;
- Provide 24-hour emergency care services;
- Maintain an average hospital-wide length of stay of 96 hours (four days) or less for acute care patients;
- Be located more than 35 miles from a hospital or another hospital participating in the CAH Program, or more than 15 miles in areas with mountainous terrain or only secondary roads, or be certified by the State as a “necessary provider” of healthcare services to residents in the area; and
- Operate up to 25 beds for acute inpatient care, subject to the 96-hour average length of stay for all acute care patients. For a hospital with swing bed agreements, any of its beds may be used to furnish either inpatient acute care or swing bed services.

Medicare pays hospitals participating in the CAH Program for both inpatient and outpatient services on the basis of the current Medicare-allowable costs, or cost-based reimbursement, for patient care. In 2005, the State also began providing cost-based reimbursement to hospitals participating in the CAH Program under its Medicaid program.

The Corporation currently provides a wide range of inpatient and outpatient healthcare services at Chatham Hospital. These services include general medical/surgical care, including adult patients with medical or surgical diagnoses, pediatric patients and geriatric patients. Critically ill patients who require continuous specialized care are admitted or transferred to the intensive care units at Chatham Hospital or transferred to other facilities. Eight wireless telemetry units are available for use within any of the inpatient rooms when required by a patient.

Surgical procedures are performed on both an inpatient and outpatient basis. General surgery, urology, otolaryngology, gastroenterology and orthopaedic cases are performed primarily on adults.

The Emergency Department provides emergency services 24 hours a day, seven days a week. The physicians providing coverage in the Emergency Department are credentialed by the Corporation and are also employees of UNC Hospitals. The staff provides evaluation and treatment to patients of various ages and levels of care or illness ranging from minor to critical.

Diagnostic radiology procedures are performed on patients of all ages, including infant, pediatric, adult and geriatric, on an inpatient, outpatient or emergency basis. Services include radiography, fluoroscopy, sonography, mammography, CT scanning and mobile services that provide nuclear medicine imaging and MRI Services.

Of the 25 beds in the Replacement Hospital, 21 beds will be used for general medical and surgical care and as swing beds. Four beds will be used as an intensive care unit. All of the services currently provided at Chatham Hospital will be provided at the Replacement Hospital when it is placed in service.

The architect for the Project is Batson Architects, Inc. of Greenville, South Carolina. The Architect was established in 1981, and since that time has focused its practice on the design of healthcare facilities. The Architect has designed over 300 healthcare facilities to date, including regional medical centers, community hospitals, ambulatory care centers, outpatient clinics, medical office buildings, imaging facilities, cancer centers and assisted living facilities. The Architect currently has a professional staff of 22, including 10 registered architects.

Rodgers Builders of Charlotte, North Carolina will construct the Project. The Contractor has been in business for 43 years and has completed over 300 healthcare projects in North Carolina with a construction value of more than \$1.0 billion.

The Project is currently projected to take 18 months to complete, with construction of the Project scheduled to commence in January 2007.

The Corporation's obligation to repay the loan of the proceeds of the Series 2007 Bonds will be evidenced by the Series 2007 Note and secured by the Mortgage. The Trustee, as beneficiary under the Mortgage, has agreed to undertake certain activities with respect to the Series 2007 Note and the Mortgage, including: (1) collection of all payments made by the Corporation under the Series 2007 Note and the Mortgage; (2) depositing the payments of principal and interest made under the Series 2007 Note and the Mortgage, including any prepayment premiums, after deducting there from its servicing fee, any Mortgagee Advances and any late payment charges; and (3) application of all amounts collected under the Mortgage in accordance therewith and the Indenture. The Trustee, as beneficiary under the Mortgage, has appointed Merrill Lynch Mortgage Lending, Inc. ("Merrill Lynch Mortgage Lending") as mortgage servicer.

FHA has issued a Commitment for Mortgage Insurance with respect to the Project under Section 242 of Title II of the National Housing Act. Under FHA



regulations for this program, the maximum insurable mortgage amount cannot exceed 90 percent of FHA's estimate of the replacement cost of the improvements, additions or equipment in a project, as defined by FHA, including land and equipment to be used in the operation of a project, when the proposed improvements are completed and the equipment is installed, and the mortgage must have a maturity date satisfactory to FHA but not to exceed an amortization period of 25 years. The Mortgage meets these requirements, taking into consideration the estimated value of the Project, including the land and equipment to be used in the operation of the Project, as well as the equity contribution by the Corporation toward the Project and the Cash Escrow.

In the event of a default by the Corporation under the Mortgage or the Series 2007 Note and the resulting assignment of the Series 2007 Note and the Mortgage to FHA upon a claim for Mortgage Insurance Benefits, FHA has agreed to pay such claim for Mortgage Insurance Benefits in cash pursuant to the Cash Lock Agreement delivered by FHA in conjunction with the delivery of the Series 2007 Bonds.

It is anticipated that the Mortgage Insurance Benefits, together with the funds held pursuant to the Indenture, will be sufficient to pay the principal of an interest on the Series 2007 Bonds. The Mortgage Insurance, however, does not constitute a guaranty or insurance of the payment of the principal of and interest on the Series 2007 Bonds.

The \$11,260,000 Serial Bonds mature in the years 2009-2022 and have stated interest rates of 4.00% to 5.00% and yields ranging from 3.77% to 4.44%. The \$4,940,000 5.25% Term Bonds due August 1, 2026 yield 4.16%. The \$6,950,000 5.25% Term Bonds due February 1, 2031 yield 4.21%. The \$7,390,000 5.00% Term Bonds due February 1, 2035 yield 4.35%.

The Bonds are rated "Aaa" by Moody's and "AAA" by Standard & Poor's based upon the delivery of the policy by MBIA guaranteeing scheduled payments of principal and interest on the Series 2007 Bonds when due.

Merrill Lynch & Co. served as senior manager with RBC Capital Markets as co-manager. The Bank of New York Trust Company serves as bond trustee. Womble Carlyle Sandridge & Rice, PLLC served as bond counsel and McGuire Woods, LLP served as counsel to the underwriters.

### **Iredell Memorial Hospital - \$39,465,000**

On March 15, 2007, the Commission issued its \$39,465,000 North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds



(Iredell Memorial Hospital) Series 2007 dated as of the date of delivery with a fiscal maturity date of October 1, 2037. The bonds are being settled in 2 parts on 2 dates. The \$30,000,000 in bonds settled on March 15, 2007. The \$9,465,000 will be delivered on August 1, 2007.

Iredell Memorial Hospital, the Corporation, is a non-profit corporation organized under the laws of the State of North Carolina and has been determined to be an organization exempt from federal income taxation by virtue of being an organization described in Section 501 (C) (3) of the Internal Revenue Code of 1986, as amended. The Corporation was established in March 1952 and has operated Iredell Memorial Hospital (the "Hospital") in Statesville, North Carolina since its completion in 1954. The site of the Hospital and all improvements thereon are owned by Iredell County, North Carolina (the "County") and leased by the Corporation pursuant to a lease agreement that expires in 2051. The County has no control over the operations of the Hospital. The Corporation is governed by a self-perpetuating Board of Directors.

The Hospital is licensed for 247 beds and employs approximately 1,700 people. There are approximately 210 physicians on staff, most of whom are board certified in their specialty. The Hospital offers general medical, surgical, pediatric and obstetrical-gynecological services and specialized services in spine surgery, cancer, cardiology, vascular and orthopedics. The Hospital has a 48-bed skilled nursing unit specially staffed to provide transitional short-term care for elderly patients who are not ill enough to require acute care, yet who are too sick to be placed in a free-standing skilled nursing home or to return home. The Hospital is fully accredited by The Joint Commission (formerly known as the Joint Commission on the Accreditation of Healthcare Organizations) and certified as a Community Cancer Program by the American College of Surgeons' Commission on Cancer.

The Corporation owns Iredell Home Health Agency and is a co-owner of the Iredell Surgical Center. The Hospital's Women's Health Center offers mammography and free breast health evaluation and educational services for women. The Hospital's Diabetes Center, recognized by the American Diabetes Association, offers education, counseling and support to persons with diabetes and their families. Community wellness programs are offered via classes, programs and services to the general public and business and industry. The Hospital's cardiac rehabilitation program was among the first to be certified in North Carolina. The Hospital is the exclusive provider in the City of Statesville of Lifeline, a 24-hour emergency response service.

The Commission will lend the proceeds of the Series 2007 Bonds to the Corporation for the purpose of providing funds, together with other available funds, to (a) pay , or reimburse the corporation for paying, a portion of the cost

of the acquisition, construction and installation of certain capital improvements to the Corporation's health care facilities, (b) refund a portion of the cost of the acquisition, construction and installation of certain capital improvements to the Corporation's health care facilities, (b) refund a portion of the Iredell Memorial Hospital Revenue Bonds, Series 1997 issued by Iredell County, North Carolina (the "County") currently outstanding in the aggregate principal amount of \$10,655,000, (c) refund the loan made by the Commission to the Corporation from the proceeds of the Commission's Hospital Revenue Bonds (Pooled Equipment Financing Project) Series 1985, currently outstanding in the aggregate principal amount of \$2,774,358.97 and (d) pay certain expenses incurred in connection with the issuance of the Series 2007 Bonds.

### The Refunding Plan

The Commission loaned recycled funds from the Commission's Hospital Revenue Bonds (Pooled Equipment Financing Project) Series 1985 to the Corporation in 2002. Currently, approximately \$2,774,358.97 plus accrued interest is outstanding on such loan and will be repaid with a portion of the proceeds of the Series 2007 Bonds expected to be delivered on March 15, 2007.

The County issued \$20,155,000 aggregate principal amount of its Iredell Memorial Hospital Revenue Bonds Series 1997 in October 1997 of which \$10,655,000 aggregate principal amounts currently outstanding. The Corporation will also deposit with the Escrow Agent cash for the purpose of defeasing the remaining outstanding Prior Bonds. The Prior Bonds, therefore, will cease to be outstanding when a portion of the Series 2007 Bonds are delivered on August 1, 2007 and the Corporation deposits its cash with the Escrow Agent.

### The Project

The Corporation plans to use a portion of the proceeds of the Series 2007 Bonds, together with other available funds, to finance or refinance the cost of acquiring, constructing, improving, renovating, expanding and equipping the Hospital, including:

- (1) the expansion of the Emergency Department, including renovation of approximately 6,500 square feet of existing space and an approximately 6,200 square-foot addition,
- (2) the addition of an approximately 18,900 square-foot floor to the existing patient care tower to, among other things, replace existing facilities that accommodate 31 existing acute-care beds,
- (3) the relocation and expansion of the central sterile and surgery support areas, including an approximately 9,900 square-foot addition,

- (4) the expansion of the cafeteria and dietary area, including an approximately 2,000 square-foot addition,
- (5) the renovation of approximately 2,500 square feet of existing space to use as an angiography lab, and
- (6) the acquisition of medical, computer, office and capital equipment, including a CT scanner and cardiac catheterization equipment.

The Corporation has obtained all licenses and permits required to be obtained by it with respect to the Project as of the date hereof and expects to acquire in due course the remaining licenses and permits required to construct and operate the Project.

The Bonds are subject to mandatory sinking fund redemption in the years 2008-2037. The Bonds are rated Aaa/VMIG1 based on the irrevocable letter of credit issued by Bank of America, N.A. The Bonds are initially issued in the daily mode. First Citizens Bank & Trust Company serves as bond trustee. Robinson Bradshaw & Hinson, PA served as bond counsel. Bode, Call & Stroupe, LLP served as counsel to the underwriters. Bank of America serves as the remarketing agent for the Bonds. Banc of America Securities served as underwriter.

#### **Arbor Acres United Methodist Retirement Community - \$17,765,000**

On March 21, 2007, the Commission issued its \$17,765,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (Arbor Acres United Methodist Retirement Community) Series 2007 dated as of the date of delivery March 21, 2007 with a final maturity date of January 1, 2032.

Arbor Acres United Methodist Retirement Community, Inc. (the "Corporation"), a charitable, nonprofit, North Carolina corporation incorporated in 1975, operates a private, continuing care retirement community known as ("Arbor Acres") located in Winston-Salem, North Carolina.

The Corporation commenced operations at Arbor Acres in 1980 with 5 licensed assisted living beds, 68 studio/efficiency independent living beds and 8 courtyard apartment units. In 1982, 17 additional licensed assisted living beds and 45 additional studio/efficiency independent living units were added. Between 1980 and 1984, the Corporation constructed 53 duplex or freestanding homes ("Maisonettes") at Arbor Acres. In 1985, the West Wing of the Fitzgerald Health Center (the "Health Center") containing 65 licensed nursing beds was completed. The Health Center was subsequently expanded with an East Wing in 1989 to add an additional 60 licensed nursing beds. The Corpening Building was expanded and renovated in 1993 and all assisted living beds were

consolidated in this building under a license for 39 such beds. At the same time, 15 licensed units in the Womble Building were converted to unlicensed studio/efficiency units. An additional 52 Maisonettes were added between 1987 and 1998. In 2002, the Health Center and Corpening Building were renovated and upgraded. In October 2003, the Stockton apartment building containing ten one-bedroom apartments and 35 two-bedroom apartments was constructed. In 1994, the Corporation began a gradual process of converting single room studio/efficiency units into connecting room suites. As of November 30, 2006, 29 connecting rooms have been created, and the Corporation anticipates that as many as 10 more such connecting rooms will be created within the next ten years. At present, Arbor Acres has 227 independent living units, 84 assisted living units and 53 skilled nursing units.

The Corporation is exempt from income tax as an entity described in Section 501 (C) (3) of the Internal Revenue Code of 1986.

Concurrently, with the issuance of the Bonds, the Commission will enter into a Loan Agreement, dated as of March 1, 2007 (the "Loan Agreement"), with Arbor Acres United Methodist Retirement Community, Inc., a North Carolina nonprofit corporation (the "Corporation"). Pursuant to the Loan Agreement, the Commission will lend the proceeds of the Bonds to the Corporation for the purpose of providing funds, together with other available funds, to (a) refund Series 2002 Bonds, (b) fund Reserve Fund No.1 for the Bonds and (c) pay certain expenses incurred in connection with the issuance of the Bonds.

The Bonds are rated A- by Fitch. The \$3,955,000 Serial Bonds mature in the years 2009-2018 and have stated interest rates ranging from 4.00% to 5.00% with yields ranging from 4.00% to 4.25%. The \$5,865,000 4.375% Term Bonds due January 2, 2025 yield 4.440%. The \$7,945,000 4.500% Term Bonds due January 1, 2032 yield 4.500%. Robinson, Bradshaw & Hinson, PA served as bond counsel. McGuire Woods, LLP served as counsel to the underwriter. Branch Banking & Trust Company serves as bond trustee. AG Edwards Capital Markets served as the underwriter.

### **Angel Medical Center - \$18,500,000**

On March 22, 2007, the Commission issued its \$18,500,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Angel Medical Center Project) Series 2007 dated the date of issuance March 22, 2007. The proceeds of the Bonds are being lent to Angel Medical Center, Inc. to provide funds, together with any available funds to (a) refund the Commission's Variable Rate Demand Hospital Revenue Bonds (Angel Medical Center) Series 1997 currently outstanding in the principal amount of \$8,775,000 (b) refund existing

indebtedness of Angel Medical Center, the proceeds of which were used to finance or refinance the construction, improvement, renovations, expansion and equipping of various facilities of Angel Medical Center, (c) acquire capital equipment currently leased by the Borrower pursuant to various outstanding taxable capital leases, (d) pay or reimburse the medical center for paying a portion of the cost of acquiring and installing medical computer, office and capital equipment for the Hospital and (e) pay certain expenses incurred in connection with the authorization and issuance of the Bonds.

Angel Medical Center, Inc. is a private, nonprofit North Carolina corporation which was founded in 1926 to provide medical care to the residents of Macon County. The Borrower owns and operates Angel Medical Center, a 59-bed acute care hospital located in Franklin, North Carolina (the "Hospital"). The Hospital provides a full range of medical and diagnostic services, including routine and intensive care nursing, nursery, labor and delivery, surgery, home health, emergency laboratory, radiology, physical therapy, cardio-pulmonary, and oncology.

The Borrower owns and operates two for-profit subsidiary corporations, Macon Medical Services, Inc. and Angel Physician Practices, Inc., which began operations in fiscal years 1996 and 1997, respectively. These two affiliates are not obligated under the Loan Agreement for the Bonds. Macon Medical Services, Inc. operates Angel Urgent Care Center, which is a hospital-based rural health clinic. Angel Physician Practices, Inc. was established to own physician practices.

The present Hospital was initially constructed in 1956. The main portion of the present facility, which contains the patient rooms and the major ancillary services, was added in 1974. In 1991, a two-story building was added to the back of the Hospital for a surgical suite and intensive care unit. The business office and medical records areas were renovated and enlarged and an addition for laboratory and administrative offices was added to the front of the Hospital in 1996. The Borrower also owns five physician office buildings which the Borrower rents and will rent to area physicians.

On the date of delivery of the Bonds, a portion of the proceeds of the Bonds were being used to (a) refund the Commission's Variable Rate Demand Hospital Revenue Bonds (Angel Medical Center, Inc.), Series 1997, originally issued in the aggregate principal amount of \$13,475,000, of which \$8,775,000 is currently outstanding, the proceeds of which were used to (i) refund the Commission's outstanding Hospital Revenue Bonds (Angel Community Hospital Project) Series 1990, the proceeds of which were used to finance or refinance the construction, improvement, renovation, expansion and equipping of various facilities of the Hospital, including the construction of an approximately 28,000 square-foot

addition to the Hospital, including a surgical suite, a labor and delivery area, an intensive care unit and an outpatient lobby, (ii) refinance certain outstanding indebtedness of the Borrower, the proceeds of which were used to refinance indebtedness of the Borrower originally incurred to finance construction of an approximately 10,280 square-foot addition to the Hospital to house a business office and medical records, and (iii) finance the acquisition of capital equipment for use at the Hospital, including computer, medical and laboratory equipment; and (b) refund a loan obtained by the Borrower from Wachovia Bank, National Association in the original principal amount of up to \$3,000,000, of which \$2,249,994 principal amount is still outstanding, the proceeds of which were used to finance or refinance the construction, improvement, renovation, expansion and equipping of various facilities of the Hospital, including (i) renovation of approximately 1,094 square-feet of space in the existing Same Day Surgery area to include two endoscopy suites, (ii) renovation of approximately 6,159 square feet of existing space in the Emergency Department and Radiology areas, (iii) construction of facilities to house an MRI system, (iv) renovation of approximately 5,109 square feet of materials management/central sterile space and (v) installation of a lab air handler (collectively, the "Prior Improvements").

A portion of the proceeds of the Bonds will be used to acquire medical, computer, office and capital equipment, including a PACS system, a CT system, an MRI system and a digital mammography reader currently used at the Hospital and leased by the Borrower pursuant to various outstanding taxable capital leases.

In addition to refunding the Prior Bonds and the Prior Loan and acquiring the Existing Equipment currently leased under the terms of the Prior Indebtedness, a portion of the proceeds of the Bonds will be used to fund the acquisition and installation by the Borrower of medical, computer, office and capital equipment for use at the Hospital, including IV pumps, digital mammography equipment, nuclear medicine equipment and C-arm equipment.

The Bonds are rated Aa1/VMIG1 by Moody's based on the issuance of the irrevocable direct pay letter of credit by Wachovia Bank, NA. The Bonds will initially bear interest at the weekly rate. The Bonds are subject to mandatory redemption in the years 2007-2036. Wachovia Bank, NA serves as remarketing agent for the Bonds. First Citizens Bank & Trust Company serves as bond trustee. Robinson, Bradshaw & Hinson, PA served as bond counsel. McGuire Woods, LLP served as counsel to the underwriters. Wachovia Securities served as underwriters for the transaction.

### **The Givens Estates - \$66,900,000**

On April 4, 2007, the Commission issued its \$66,900,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (The Givens Estates Project) Series 2007 dated as of the date of delivery April 4, 2007.

The proceeds of the Series 2007 Bonds are being lent to the Corporation to be used, together with other available funds, (a) to refund (i) a portion of the outstanding principal amount of the Commission's \$63,385,000 Retirement Facilities First Mortgage Revenue Bonds (The Givens Estates Project), Series 2003A (the "Series 2003A Bonds") and (ii) the entire outstanding principal amount of the Commission's \$7,000,000 Adjustable Rate Retirement Facilities First Mortgage Revenue Bonds (The Givens Estates Project), Series 2003B (the "Series 2003B Bonds" and, collectively with the Series 2003A Bonds, the "Series 2003A & 2003B Bonds"), (b) to fund a debt service reserve fund for the Series 2007 Bonds, and (c) to pay the expenses incurred in connection with the issuance of the Series 2007 Bonds.

The proceeds of the Series 2003A & 2003B Bonds were used, together with the proceeds of the Commission's \$39,000,000 Variable Rate Demand Retirement Facilities First Mortgage Revenue Bonds (The Givens Estates Project), Series 2003C (the "Series 2003C Bonds" and, collectively with the Series 2003 A & B Bonds, the "Series 2003 Bonds"), together with other available funds, (a) to pay, or reimburse the Corporation for paying, the cost of a five-story, 137-unit apartment building and 59 new free-standing cottage homes, (b) to fund a debt service reserve fund for the Series 2003 Bonds, (c) to refund the Commission's Variable Rate Demand Health Care Facility Revenue Bonds (The Givens Estates, Inc. Project), Series 1997, and (d) to pay the expenses incurred in connection with the issuance of the Series 2003 Bonds.

The Givens Estates, Inc. (the "Corporation") is a North Carolina nonprofit corporation that owns and operates a continuing care retirement facility (the "Facilities") in Asheville, North Carolina known as Givens Estates. The Corporation is affiliated with the Western North Carolina Conference of the United Methodist Church. The Facilities are licensed as a continuing care retirement community by the North Carolina Department of Insurance and is accredited by The Commission on Accreditation of Rehabilitation Facilities Continuing Care Accreditation Commission and the Education Assessment Guidelines leading toward Excellence through the United Methodist Association of Health and Welfare Ministries. The facility is located on 215 acres at 2360 Sweeten Creek Road in Asheville, North Carolina, the Facilities were established in 1975 with the



donation to the Corporation of 160 acres of land by the Marion Jackson Givens Trust. The Givens Estates commenced operations in 1979.

The Series 2007 Bonds are rated BBB- by Fitch, Inc. based on the credit worthiness of the Corporation. The \$15,750,000 Serial Bonds mature on July 1 of the years 2007-2019 and carry stated interest rates ranging from 4.000% to 4.375%. The \$24,940,000 5.000% Term Bonds July 1, 2027 yield 4.706%. The \$26,240,000 5.000% Term Bonds due July 1, 2033 yield 4.770%.

BB& T Capital Markets served as senior manager for the transaction with Ferris Baker Walls Incorporated serving as co-manager. Hunton & Williams LLP served as bond counsel and McGuire Woods, LLP served as counsel for the underwriters. The Bank of New York Trust Company serves as bond trustee for the Issue.

### **United Church Homes and Services - \$15,780,000**

On April 18, 2007, the Commission issued its \$15,780,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (United Church Homes and Services) Series 2007 dated as of the of delivery April 18, 2007.

The Commission will lend the proceeds of the Bonds to the Corporation for the purpose of providing funds, together with other available funds, to (1) pay a portion of the costs of the Project as more specifically to herein, (2) fund a debt service reserve fund and (3) pay certain expenses incurred in connection with the issuance of the Bonds.

The Corporation is a North Carolina nonprofit corporation that was organized in 1961 for the purpose of developing and managing housing, retirement communities and programs of outreach across the geographic boundaries of the Southern Conference of The United Church of Christ. Lake Prince is a North Carolina nonprofit corporation that was organized in 1999 and is authorized to do business in the Commonwealth of Virginia. The Master Indenture creates an Obligated Group that is jointly and severally liable for all Obligations issued under the Master Indenture, including Obligation No. 7. Currently, the only members of the Obligated Group are Lake Prince and the Corporation.

There are four Obligated Group facilities. The Corporation owns and operates three of them: a continuing care retirement community located in Newton, Catawba County, North Carolina ("Abernathy Laurels"), a continuing care retirement community located near Thomasville, Davidson County, North Carolina ("Piedmont Crossing"), and a 66-bed skilled nursing facility located in



Lexington, North Carolina ("Centerclair"). Lake Prince owns a continuing care retirement community located in Suffolk, Virginia ("Lake Prince Woods"), which is managed by the Corporation.

Abernathy Laurels is a full-service continuing care retirement community on approximately 120 acres and situated in the foothills of the Appalachian Mountains in Western North Carolina, just south of Newton. Abernathy Laurels became operational in August 1971. The campus has three major areas: the Village (119 independent living units), Pavilion (59 independent living units and 18 assisted living units), and Health Care Unit (174 nursing beds).

Piedmont Crossing is a full-service continuing care retirement community on approximately 60 acres and situated in the Piedmont region of North Carolina, just southeast of Greensboro. Piedmont Crossing became operational in October 1986. The campus has three major areas: the Village (129 independent living units), Residential Mall (44 independent living units and 20 assisted living units), and Health Care Unit (54 nursing beds and 42 assisted living units).

Centerclair is a 66-bed nursing facility located in Lexington, North Carolina. Centerclair opened in 1962, was expanded in 1978 and 1979 and was privately owned and operated before being purchased by the Corporation in 2000.

Lake Prince Woods is a full-service continuing care retirement community on approximately 172 acres situated in eastern Virginia, in close proximity to the various cities of the Tidewater area, and is approximately three miles from downtown Suffolk. Lake Prince Woods consists of Residential Living Units (135 independent living units), an Assisted Living Building (52 assisted living units) and a Healthcare Unit (40 nursing beds).

The proceeds of the Bonds, together with other available funds, will be used to (1) pay a portion of the costs of the Project described below, (2) fund Reserve Fund No. 1 so that the amount therein equals the Debt Service Reserve Fund Requirement and (3) pay certain expenses incurred in connection with the issuance of the Bonds.

The Project consists of:

- the construction and equipping of an approximately 40,000 square foot, three-story addition to the community center at Abernathy Laurels, including a wellness center, a multipurpose meeting room, a bistro style dining room, a conference center and an office suite;
- the renovation and equipping of an approximately 10,000 square feet of the existing second floor of the community center at Abernathy Laurels for a library, a game room, a bank branch and a gift shop; and

- the acquisition of routine capital equipment for use at Abernathy Laurels and Piedmont Crossing, including any construction of renovation required for the installation of any such equipment.

The Bonds are rated Aa2/VmlG1 by Moody's based on the issuance of an irrevocable letter of credit by Branch Banking and Trust Company. The Bonds are subject to mandatory sinking fund redemption in the years 2028-2037 and bear interest at the weekly rate. McGuire Woods, LLP served as bond counsel and Robinson Bradshaw and Hinson, PA served as counsel for the underwriter. BB& T Capital Markets served as underwriter and remarketing agent for the Bonds. The Bank of New York Trust Company serves as bond trustee.

### **Alamance Extended Care, Inc. (The Village at Brookwood) - \$29,280,000**

On May 18, 2007, the Commission issued its \$29,280,000 North Carolina Medical Care Commission Retirement Facilities First Mortgage Refunding Revenue Bonds (The Village at Brookwood) Series 2007, dated as of the date of delivery, May 18, 2007. The Commission is lending the proceeds of the Bonds to Alamance Extended Care, Inc. to provide funds, to be used together with other available funds to (1) refund certain maturities of the Series 2001 Bonds, (2) refund a bank loan, (3) fund a reserve fund for the Bonds, and (4) pay certain expenses incurred in connection with the issuance of the Bonds.

Alamance Extended Care, Inc. (the "Corporation") is a not-for-profit 501 (C) (3) corporation that does business as and operates a full-service continuing care retirement community ("CCRC") known as The Village at Brookwood ("Brookwood"). Brookwood is located on approximately 53 acres in Burlington, North Carolina. Brookwood consists of 153 independent living units and 129 health care residences are more particularly described below.

The Corporation's sole member is ARMC Health Care, a not-for-profit corporation chartered by the State of North Carolina in 1986. In addition to the Corporation, ARMC Health Care is the sole member of Alamance Regional Medical Center, Inc. (the "Hospital"), ARMC Foundation, Inc. and ARMC Physicians Care, Inc. ARMC Health Care is the result of a 1985 merger between two hospital corporations operating in Alamance County, North Carolina. Upon construction of a new medical center, ARMC Health Care retained ownership of the "Edgewood Campus", the former site of Alamance Memorial Hospital and related facilities. Because (a) the location of the Edgewood Campus in a mature, residential neighborhood was ideal for a CCRC, (b) the availability of contiguous property and (c) initial demand studies that indicated support for a CCRC in area, planning for a CCRC commenced, and subsequently, Brookwood began operations in July 2003.

Brookwood opened in late July 2003 with 110 apartments in a five story building, 43 one-story cottages and a community center of approximately 35,000 square feet. In addition to Edgewood Place (which is available to the general public), Brookwood's health care center (the "Health Care Center") was developed exclusively for the use of Brookwood residents and it is not available to the general public. The Health Care Center consists of an outpatient clinic, 24 private assisted living rooms licensed as Adult Care (Home for the Aged), with 12 of these rooms dedicated to dementia-memory support care and 24 private skilled nursing rooms licensed as nursing care. Together with Edgewood Place, which is available to the general public, the complete community has 129 health care residences.

Brookwood is located on approximately 53 acres in Burlington, North Carolina, with its address at 1860 Brookwood Ave., Burlington, North Carolina, 27215.

A portion of the proceeds of the Bonds will be used, together with a portion of the moneys held in the interest accounts and the debt service reserve funds for the Refunded Bonds, to refund the Refunded Bonds in order to achieve debt service and other savings. The moneys to be used to effect the refunding of the Refunded Bonds will be held irrevocably in trust for the registered owners of the Refunded Bonds pursuant to an Escrow Deposit Agreement, dated as of May 1, 2007 among the Commission, the Corporation and The Bank of New York Trust Company, as escrow agent, and, except for any small portion held uninvested by the Escrow Agent, will be invested by the Escrow Agent in a portfolio of United States Treasury Securities that will bear interest at such rates and mature at such times and in such amounts as will provide, together with the uninvested moneys, amounts sufficient to pay (a) on the dates such interest is due and payable, the interest on the Refunded Bonds until their maturity date or redemption date, as applicable and (b) the principal amount or the redemption price, as applicable, of the Refunded Bonds. The Series 2001A Bonds that mature on 2032 will be redeemed on January 1, 2012. The Series 2001B Bonds that mature on January 1, 2032 will be redeemed on June 1, 2007. The Bank Loan will be repaid on or about the date of issuance of the Bonds.

The Bonds are not rated. The \$2,985,000 in Serial Bonds mature on January 1 in the years 2008-2022. The Serial Bonds bear interest rates ranging from 4.500% to 5.125% and yield from 4.600% to 5.190%. The \$26,295,000 5.25% Term Bonds due January 1, 2032 yield 5.29%

BB&T Capital Markets served as senior manager for the issue and Ferris Baker Watts Incorporated served as co-manager for the issue. Helms Mulliss Wicker, PLLC served as bond counsel and Womble Carlyle Sandridge & Rice, PLLC served as counsel to the underwriters. Dixon Hughes, PLLC prepared the

financial feasibility study for the issue. The Bank of New York Trust Company serves as bond trustee.

### **Randolph Hospital - \$49,230,000**

On June 14, 2007, the Commission issued its \$49,230,000 North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Randolph Hospital) Series 2007 dated as of the date of delivery, June 14, 2007. The proceeds of the bonds will be used to fund a project for Randolph Hospital as described herein.

The Corporation is a North Carolina nonprofit corporation that was incorporated in 1931. The Corporation has been determined to be exempt from federal income taxation pursuant to Section 501 (C) (3) of the Code.

The Corporation owns and operates Randolph Hospital, a 145-bed acute care hospital in Asheboro, North Carolina (the "Hospital"). The Hospital is accredited by The Joint Commission and is licensed by the Division of Facility Services of the Department of Health and Human Services of the State of North Carolina. The Hospital is also an approved provider of both the Medicare and Medicaid programs. The Hospital is the only hospital in Randolph County and serves a population of more than 125,000. The Hospital's active medical staff includes 86 physicians who practice in the following medical specialties, among others: family practice, obstetrics, general surgery, internal medicine, anesthesiology, radiology, pathology, emergency medicine, cardiology and orthopedics. Eighty one physicians on the active medical staff are board certified in their specialties.

### **The Refunding Plan**

On the date of delivery of the Bonds, a portion of the proceeds of the Bonds will be used to refund the 1999 Bonds. The proceeds of the 1999 Bonds were used to (a) refund outstanding indebtedness of the Corporation, the proceeds of which were used to refinance a loan made by the Commission to the Corporation of a portion of the proceeds of the Commission's Hospital Revenue Bonds (Pooled Financing Project), Series 1991A, the proceeds of which were used to finance all or a portions of the cost of one or more of the following projects: (i) the construction and equipping of a six-level, approximately 96,000 square-foot parking structure at the Hospital, (ii) the construction and equipping of a five-story, approximately 152,000 square-foot addition to the then-existing Hospital facilities, including a medical mall for outpatient services, new operating rooms, a new radiology department, new private patient rooms, a women's center and a new critical care unit, (iii) the renovation of certain portions of the then-

existing Hospital facilities and (iv) the acquisition of certain capital equipment for use in or in connection with the Hospital facilities; (b) pay, or reimburse the Corporation for paying, all or a portion of the costs of renovating and equipping then-existing Hospital facilities in connection with the relocation and expansion of the Hospital's Emergency Department; and (c) pay, or reimburse the Corporation for paying, certain expenses incurred in connection with the issuance of the 1999 Bonds by the Commission.

## The Project

After payment of the 1999 Bonds, the remaining proceeds of the Series 2007 Bonds will be used to pay, or reimburse the Corporation for paying, all or a portion of the cost of acquiring, constructing, improving, renovating, expanding and equipping the health care facilities of the Hospital, including the construction of a two-story addition to the Hospital consisting of an approximately 36,084 square-foot upper level Outpatient Center and an approximately 37,505 square-foot lower level Cancer Center and to pay, or reimburse the Corporation for paying, certain expenses incurred in connection with the issuance of the Series 2007 Bonds by the Commission.

The Bonds are rated Aaa/VMIG1 by Moody's Investors Services, Inc., based upon the delivery of the credit facility in connection with the issuance of the 2007 Bonds. Bank of America, NA on has issued an irrevocable, direct pay letter of credit (the credit facility) which guarantees the payment of principal and purchase price of and interest on the Bonds. There is no underlying rating on the bonds (an underlying rating is an evaluation of the credit worthiness of the hospital).

The Bonds initially bear interest at the weekly rate. The bonds are subject to mandatory sinking fund redemption in the years 2008-2037.

Robinson Bradshaw & Hinson, PA served as bond counsel. Womble Carlyle Sandridge & Rice, PLLC served as counsel to the underwriter. First Citizens Bank & Trust Company serves as bond trustee. AG Edwards Capital Markets served as underwriter for the issue and serves as remarketing agent for the Bonds.

***"The North Carolina Department of Health and Human Services does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services."***

***Seventeen copies of this report were printed internally for members of the North Carolina Medical Care Commission at an immaterial cost.***